AN INQUIRY

INTO

THE LAWS WHICH REGULATE

THE

CIRCULATION AND DISTRIBUTION

OF WEALTH.

BY JOHN MASON.

NEW YORK:
GEORGE P. PUTNAM & CO., 321 BROADWAY.

1856.

CONTENTS.

CHAPTER VIII.

CHAPTER IX.

CHAPTER X.

CHAPTER XI.

CHAPTER XII.

CHAPTER XIII.

TO THOMAS CARLYLE, ESQ.,

SIR,

The eminent services which you have rendered to the cause of human progress through your numerous *works* induce me to inscribe this humble testimony of respect to your fidelity as a historian. Whether investigating the events of the past—or the character of men who have influenced the course of history—or analyzing the present condition of society, the high purposes and benignity which direct your talents, equally inspire confidence and moral admiration. It is naturally the hope and desire of every well-constituted mind to witness the amelioration of those extreme distinctions of riches and dependence which militate against the great objects of civilization. Largely and earnestly has your pen been employed to inculcate these elevated and humanising sentiments.

The triumphs of art—the munificence of Providence—scatter their limitless abundance over this fair earth, and invite the wisdom of man to administer them with equity. To the advancement, therefore, of commerce—the developement of the laws of finance—and the elevation of industry—is this humble effort directed. That it will contribute to the elucidation of economical science, by demonstrating principles which have hitherto been resisted by eminent authorities, and rendering practical others which are now merely speculative, has been the paramount object of the writer. There is no subject of higher importance can engage the human understanding, or which more deeply concerns the interests of men in all conditions of life.

To you, Sir, with profound admiration of your invaluable services, these sentiments are addressed

Most respectfully by

THE AUTHOR.

AN INQUIRY

INTO THE LAWS WHICH REGULATE THE CIRCULATION AND DISTRIBUTION OF WEALTH.

CHAPTER I.

GENERAL PRINCIPLES WHICH GOVERN THE PRODUCTION OF WEALTH.

As man cannot exist without food, and food cannot be produced without labor; it is evident that the first motive to human industry originates in necessity. Food and all other kinds of wealth multiply, however, not merely in proportion to the labor expended, but in much greater ratio—every advance in skill adding to the capabilities of production.

The motives to exertion are thus stimulated by the prospects of increased reward. Abundance augments the means of reproduction, and no limits can be placed to the increase of wealth, except those which arise from the ignorance, folly, or crime of man.

Every nation is therefore poor in its origin and rich in its maturity. The opulence of a nation is, however, no evidence that the individuals generally of which it is composed participate equitably in its riches, as the distribution of wealth has in no instance, progressively advanced, either with the capacities of production, or the advantages of national development.

In the first stage of society the office of laborer and capitalist is one. Nature bestows her bounties on all without distinction. Her spontaneous productions are

the gift of a prudent parent to her children, enabling them successfully to pass through life, fulfilling the high and inscrutable purposes of their destiny.

Civilization appropriates the soil, and classifies men. It economises both labor and capital, by numerous subdivisions. This multiplies production, but complicates the social organization. The government of society necessarily becomes a science which the mass do not understand, and which the rich, from their greater leisure, learn, rather to preserve their own elevation than to promote the elevation of the community.

Economical science in advanced civilization determines the conditions of existence and progress. Man can no more progress without the *advantages of wealth* than he can exist without air. Its acquisition stimulates his energies and enterprise—its possession invests him with a degree of independence, which no form of government or civil law, how ever excellent, can bestow.

In a country governed by an absolute prince the rich are the advisers and administrators of authority—in a country governed by the general voice the affluent are the rulers of the common wealth. The possession of substance not only endows its proprietors with the immunities of power, it also enhances the value of existence, by conferring educational superiority and influence. These again open the higher paths to its attainment.

Security is, however, only attainable through the general prosperity of a people. Prosperity consolidates the strength of government, and promotes both the enrichment and power of a community. It is, therefore, of the most profound importance to every individual and nation, that wealth ought to be distributed with great equity amongst the various classes whose services contribute to its production. A monoply of the means by which property is acquired, or its production arrested, is a fraud upon industry which a wise people will prevent, and if they have not the wisdom, they must submit to a destiny of irremmediable misfortune.

Yet, in no nation have the laws which regulate the equitable distribution of wealth been understood, either by the people or their rulers. Both classes have suffered immeasurably in all ages by their mutual ignorance. The rich have pursued their apparent interests at the

cost of their eventual ruin. The people have devoted themselves to industry, when accessible, or afforded the means of subsistence, and when these were denied, without comprehending the cause of their distress, they have in the agony of their condition revolted and overthrown their rulers.

Revolution generally springs from organic causes, which are not understood, and invariably subsides in reaction instead of remedy. It, however, overwhelms the opulent with the misfortunes of the poor. It is the retribution of neglect or tyranny; but it seldom makes the rich more wise, or the poor less wretched. Insubordination and anarchy aggravate the causes of insecurity without rendering the means of redress more attainable.

Oppression arising from false principles in the *economy of a nation* cannot be overthrown by violence. On this account revolutions in old established countries, aiming merely at a change of authority, or the destruction of a class, effect a temporary distribution of property and power, without establishing any permanent alleviation of the public condition. A reorganization of society takes place on the same principles, in some degree modified, to produce the same, or perhaps, worse results. Regal and Democratic forms of government through this cause have, in all ages, shared a similar fate, and manifested an equal instability.

CHAP. II.

THE POWER OF MONEY IN STIMULATING OR RETARDING THE PRODUCTION OF WEALTH.

It is not the abstruse definition of *money*, but its office and functions which enforce the first consideration of rational inquiry. The sole instrument, in every civilized country, employed for the exchange and distribution of wealth is—MONEY. The laws which regulate the quantity of money provided for circulation, regulate the demand for goods. Distribution and demand are equivalent terms. A manufacturer who employs workmen, receives the product of their labor—the workmen re-

ceive money in exchange—the money is demand for other produce.

Labor thus creates—*money* distributes. Every *day's labor* adds to the fund of national wealth; every *piece of money* is a demand upon that fund. Demand encourages the expenditure of capital, and multiplies production. Accumulation, by this means, is accelerated by expenditure—expenditure is enlarged and stimulated by accumulation.

In a state of barter, these laws operate clumsily, but without interruption. Every increased bushel of grain is an additional demand for broad cloth, or other commodity. Every additional yard of broad cloth produced is an increased demand for grain. *Supply* is the means of *demand.* The one is the natural cause of the other.

To render exchanges more convenient, every community has chosen some suitable commodity, such as gold or silver, to exchange all other commodities. Unfortunately, however, *products* the most compact in value, are the most scarce and, of course, the most inadequate in quantity to exchange all others—the abundance of general production being unlimited. The best *commodity* is, therefore, the worst *money.*

To exchange a *ton* of iron for an *ounce* of gold, or a *stone* of wool for an *ounce* of silver, would be most convenient, if all these commodities increased proportionately to each other. But if the useful, or rather, indispensable commodities cannot be readily and conveniently exchanged for the scarce and less requisite metals, loss ensues and arrests production. A difficulty to vend discourages the effort to produce. Impediments to industry are injustice to the producer. This, in turn, becomes the source of innumerable evils to the community. The design of society is subverted when the means to secure life and acquire property are inadequate, either in provision or execution.

An error in the organic laws of the least important of human pursuits, entails more or less mischief, but in *economical law* it involves the destruction of entire communities. Men labor but do not advance—they fabricate wealth but are not enriched. Science develops the capacities to produce, but the reward of industry does not maximise, nor the power of employment expand

with the increase of labor. A thousand obstacles to the industrial progress of each individual ensue, from causes which are in their nature but consequences. When the trader does not *vend* he does not employ labor to *reproduce.* Vending is a conventional arrangement—its interruption a public wrong. It was an act of convention between men to vend or exchange with each other for their mutual enrichment. *The method has defeated and intercepted the purpose.*

Industry preceded civilization and supplied the means of subsistence. The civilized state, therefore, does not yet guarantee what a state of nature did not deny. Populousness being encouraged in the one case, without an amplitude of provision to absorb the energies of industry—while in the other it would not be extravagant to infer that the increase of the species was restrained by innumerable causes within the limits of natural bounty. Nor does the opulence of a few indemnify justice for the poverty of the more numerous and indispensable members of the social body.

Sheep and oxen were the earliest accumulations of property. Men's riches were computed by the number they possessed. The *value* of all things was estimated by the number of sheep or oxen it required to exchange for them. The value of a piece of cloth was expressed by being worth *a sheep* or *ten sheep*, or *an ox*, as we now would express *value* by saying, that a piece of cloth is worth a dollar, or ten dollars, or twenty, according to its current price. It is evident that the first thing used to *denominate value* performed the first *office of money.* The earliest *denominators of value* were, therefore, the most abundant of all products of value. Whatever was fabricated by skill would be readily vended; the *agents* to buy being so much more abundant than the products to be sold.

In the progress of civilization men introduced new agents of exchange, which reversed this condition. Silver and gold were substituted to *denominate value*, and to perform the functions of money. Labor enlarged in productiveness with the progress art, but the metallic agents of exchange were neither equal to the products to be vended, nor could labor increase these rare and costly metals proportionately to the increase of wealth.

Money, the instrument of vending, was naturally scarce, the products of labor and the capacity to produce augmented the abundance of wealth beyond the capacity of the metals to exchange. Men were driven to borrow, when they could not vend, and *debt* became the means at once of relief and bondage.

Sellers became invariably more numerous than buyers. Few, comparatively, having money, and each of thos limited in amount, while every one having labor or goods to vend, the difficulties to acquire property or to procure subsistence multiplied with the power to produce the one and to supply the other. *Production*, from being the cause and means of demand, became the *subject* of an instrument, and the demand for all products offered for sale, was limited to the amount of *Metallic Money* held by each community. A thousand pieces of silver would vend only a thousand products of their worth, though ten or a hundred times the value was offered in the market. No more could be vended than was determined by the number of pieces of silver. A scarcity of pieces thus made a scarcity of sales. In this matter we are not more wise than were the Greeks and Romans, though we have witnessed their fate.

The quantity of wealth produced is not, therefore, determined by the capabilities of society, but by the quantity which can be sold, and the quantity which can be sold depends upon the quantity of money there are to buy with. In a wealthy and highly civilized community *metallic money* is barter in its worst form. It prevents the exchanges which would take place in a simple state of traffic, for in such a condition every commodity performs the functions of money. One commodity buys another. Every one who produces goods to sell, employs them to buy some other kind. The buyers are always as numerous as the sellers, and the number of exchanges equal to the products to be exchanged. Every product may be used to *estimate value*, but no one product is capable of *enumerating* and *exchanging* all others. A *standard of value* and an *instrument of exchange* are, therefore, as distinct in their offices as the *yard of length* is to the *value of the cloth* it measures.

No term is perhaps more common amongst men than that *money* is the representative of wealth, yet the re-

verse would appear to be the fact. Whenever money multiplies, production rapidly increases. Whenever money diminishes, industry is interrupted, trade languishes and wealth decreases. The *instruments* which circulate, arouse or suspend the capacities which produce. Under such conditions, *wealth* may certainly be said to represent *money* rather than that *money* represents *wealth*. A true principle is thus inverted by a false one.

When custom, and subsequently law, conspired to stamp upon silver and gold—two costly and scarce products—the exclusive *character* of *Money*, every other value was reduced to a subjective progress equally in production and exchange. A scarcity or abundance of coin produced a scarcity or abundance of every other commodity. The proportion between any one product and the aggregate of all others was neither ascertained, nor could the consequences be comprehended in the rude efforts of industry, of employing a special *product* as an instrument to circulate and represent all others.

Superceding and seeking to avoid the inconvenience of common barter, by subsituting an exceptional commodity, limited instead of facilitating aggregate circulation. Still a temporary abundance of coin in a particular country, has given, in all ages, an immense stimulus to trade. On such occasions the rapid increase of wealth and extension of traffic have advanced with extraordinary rapidity. The seductive gains of commerce and the indulgent prospects of accumulation invariably engage the most energetic in the prosecution of mercantile enterprise. Impulse instead of natural progress, has in this manner excited, throughout all history, the vital elements of commerce to fever and eventual decay.

Silver and gold, being by nature inadequate to the wants of trade, are still further aggravated in their deficiency by the inequality of their distribution. Accidental causes have determined their course at periods towards certain favored cities, or to a dominant nation. Their accumulation at these points operating to debase their value,again dispersed them to be reaccumulated where similar circumstances occurred—to be redispersed when the same causes have been reproduced. As *scarcity enhances the value of all things, so in the case of gold and silver the degree of value rises in proportion to the*

universality of their functions and their inadequacy to perform them. Fixed in price by statute, these metals operate upon aggregates and, therefore, the enhancement of their value is not a subject of perception, but of computation.

CHAPTER II.

HISTORICAL SUMMARY. EFFECTS ON THE CONDITION OF SOCIETY BY AN INCREASE OF THE PRECIOUS METALS, WHETHER FROM INCIDENTAL OR NATURAL CAUSES.

It holds as a rule that gold and silver are of the greatest value in the poorest countries, and of the lowest value in the richest. They are hoarded in one case, they are consumed for luxury in the other. Neither their value nor circulation is uniform. The productive energies of civilized nations are thus arrested and paralysed through a cause which operates on every element of human society. Any circumstance which arises to increase the activity of circulation calls forth at once powers of production which surpass all ordinary estimate.

Hence Pericles with great wisdom appropriated for the embellishment of Athens, the treasures taken in the Persian war. This remarkable statesman, it would seem, had observed that the enlarged circulation of coin enriched the Athenians in a far greater degree than it diminished the indolent treasures of the state. The apparent extravagance, in the erection of temples and works of art, was compensated manifold by the stimulus given to industrial activity, and the great increase of wealth consequent. How much so bold and beneficial a measure contributed to his influence over the furious Greek democracy cannot be estimated at this remote period. He held the reins of government for forty years amid all the tumults of faction. We may judge, however, to what extent he estimated his influence over the minds of his countrymen, from the circumstance that he restored to his administration the most powerful of his antagonists who, having failed in their opposition, had been, according to custom, ostracised, and driven into exile.

He was exposed to a continual impeachment of wast-

ing the public treasures. And though this was designed to tell upon the vulgar prejudices of the multitude, the prosperity and good sense of the populace sustained his policy through every emergency. When the large circulation of coin produced by the sagacity of Pericles, had again dispersed itself, the industry of Athens languished and debt multiplied, while the declension of public spirit, with the corruption of her statesmen, paved the way to her ultimate subjection.

Nor had even the extraordinary measures of Solon, though executed upwards of a hundred years anterior, been capable of preventing the return of that condition of social oppression which the intervention of a false principle in economical *law* continued to inflict. It did not, however, escape the observation of Solon, that the great source of oppression amongst the Athenians was ascribable to some false principle in the nature of *money*. He was the first statesman of antiquity who reduced the weight of coin, to mitigate the evils it imposed on the social condition of the people.

During the latter part of the Roman republic the extortions of the Roman Conquerors gave an immense monopoly of gold and silver to the city of Rome. Augustus Cæsar added to the spoils of his predecessors the enormous treasures which had been accumulated by the Ptolemies for state purposes. The increase of money was so great in Rome during his reign, that the rate of interest, which had never been lower than *one per cent* per month, sunk to *four per cent* per annum. Thirty-four per cent had been common amongst both Greeks and Romans. Those who prosecuted industry would, at the time of Augustus, be enabled honorably to cancel their debts, instead of by revolutionary decree—a measure of necessity often resorted to by the Romans.

The oppression of private debts, which had multiplied with the progress of population, during the republic, prepared the Romans for any master which would provide them with bread. All provisions of a state to meet social exigencies are of doubtful policy, and invariably accompanied with great abuses. When industry does not find employment to secure doth subsistence and the means of accumulation, the donations of the state neither remedy nor compensate for the wrongs

inflicted. Labor being the source of wealth, and the foundation of the civilized condition, whether it is the property and pursuit of the individual, or the property of a master in the persons of slaves, the community suffers loss in proportion to the interruption of its exertions.

The safety of a community depends upon two special circumstances—first, the means of amply providing for its defence, and secondly, by so developing the pursuits of labor and enlarging the channels of enterprise, that profitable employment will engage the entire energies of the multitude and command respect and submission to authority. Government is responsible for the insecurity of the commonwealth when it interposes and obstructs by statutory law, the measures which men would devise to advance their social condition.

The difficulty to obtain honorable employment occasions both defection and the decline of martial spirit amongst a people. 350,000 Roman citizens were dependent on the state for subsistence when the first Cæsar ascended to power. Nor did the severity of his domestic policy, or the propitious circumstances which attended the reign of his grand-nephew and successor, Augustus, ever reduce this number below 200,000. Yet the allowance given was not equal to that supplied to the slaves of private citizens. Neither the repeated division of the lands, nor the decrees canceling their debts, were permanent or salutary. Augustus had even to employ force to raise troops for the defence of the empire, when its safety was threatened by the Gauls, though the pay of a soldier had been advanced three times the amount paid during the republic. Gibbon and other eminent writers erroneously ascribe the fall of the Roman empire to the vice of luxury, while a state of dependency and destitution, periodically threatened, not merely the authority of government, but the entire institutions of property.

A people who had thus achieved the mastery of the civilized world, found themselves the slaves of an inexorable condition of domestic suffering, from a cause which they could not comprehend, and which seemed to be aggravated by the greatness of their destiny, and the expansion of their power. Augustus, however, contributed much to stimulate industry by the great in-

crease of money which his spoils added to circulation. But he could not invoke military ardor, nor inspire heroism amongst the humble and more numerous citizens whose spirit had won, during the republic, all that was now possessed by the empire. Venerable soldiers were ignominiously beaten and degraded in public by their creditors. Neither official distinction nor services in action shielded the dignity of their persons or held them inviolable against the relentless penalties of debt, though contracted in their industrial pursuits during retirement.

The temporary enlargement of circulation exhibited the vast energies and skill of the Roman people to supply at once their natural and refined wants, and to multiply the resources of the commonwealth. It is said that Rome, during the reign of Augustus, was changed trom rude edifices of brick, to a city of collosal grandeur, executed in the costliest marble. In a short period the *interest of money* again rose, indicating that absorption in high prices, and dispersement were restoring it to the provinces from whence it had been drawn by the extortions of conquest, thus reducing the capital to the former depressed condition of trade and diminution of employment. Amelioration was impossible. The dissolution of a power impregnable to arms and the declension of institutions which no resistance could destroy became inevitable Barbarism eventually triumphed on the ruins of civilization, as the authority of civilization had triumphed on the ruins of industry and personal freedom.

Amid the chaos of civilization arbitrary power became necessary to the preservation of legal authority. Constitutional provisions were unequal to the exigencies of the state. Extreme wealth and poverty were incompatible with civil tranquility, the more especially when the unwieldy populousness of the capital and its insurrectionary history suggested so many well grounded apprehensions. The possession of riches strengthens the desire for security, while the privations of dependence, augmented by numbers, aggravate the spirit of insubordination. And though no one is more desirous of freedom than he who enjoys property, yet it is the nature of man to relinquish many civil immunities, to live less exposed to alarm, and commanding greater

safety. The experiment of republican freedom was abandoned after five hundred years. and with it, for a time, the faith of men in the progress of humanity.

At this conjuncture, the advent of the disciples and converts to Christianity interposed to change the current of events. They proclaimed a new code of moral and economical doctrines, which were as attractive to the multitude as they were alarming to authority and to the interests of the opulent. Property was declared a conditional gift which Providence had bestowed on the rich for the benefit of the poor. The civil law was, therefore, held to be subversive of the divine law, whereever private right intervened antecedent to the wants of the necessitous. All things were to be held in common. The rich were assured of future felicity as the conditions of conversion and the righteous administration of their substance. Non-belief was denounced, and penalties invoked from a scource where human favor and authority were impotent.

Privation and want rendered these doctrines acceptable to the poor, while numbers of the rich, in an age of such superstition, trembled at their anathemas, and relinquished their riches. Persecution also propagated their views—excited sympathy for their sufferings, and commanded admiration for their heroic martyrdom. As conversion extended, these doctrines were modified. The paralyzed empire reclined upon the lusty shoulders of the Christian Pontificate—a sovereignity which proclaimed its sceptre the emblem of immaculate favor and authority. Charity became the agent of profitless distribution. It substituted the agency of money. The destitute were fed at the cost of private and public means, without equivalent industry to add to the general stock. The reluctant donations of the rich replaced the reluctant donations of the state, and augmented the treasures of the church. Debasement of sentiment became cemented to debasement of condition. Submission and tranquility were restored with indolence and dependency, until the advent of Columbus and Luther.

After the establishment of Christianity, the contribution of money from Christendom to the ecclesiastical government threw an amount of circulation into the lap of Italy, which, conducing to the revival of

trade, gave rise to the medieval republics. So many commercial cities could not have arisen into trading activity without a special cause of this nature. Their traffic gradually extended and re-opened the commerce with India, which had been closed for centuries. Their prosperity was on this account, to some extent, prolonged, but decay was not less inevitable.

Having acquired more than their fair share of the precious metals, prices would rise proportionately. Wages profits, and the value of property being so much higher than in other European communities, the metals would naturally flow to make purchases were commodities were cheapest. Manufacturing industry would suffer the first shocks of decline. The cost of living in Venice, Lombardy, Genoa, and the other Italian republics would prevent a reduction of wages commensurate to the preservation of their trade. While the vast riches of the successful merchants would demand the most costly indulgences, which all countries could produce. Thrift and accumulation would be left to a second, third, or fourth succession of traders. The first and second living in opulent extravagance—would distribute in their expenditure, not only the gold and silver they had gained by their own adventures, but also the revenues they would derive out of the industry of their successors. The condition of these states at this moment exhibit how completely their commercial ruin has been effected, notwithstanding their great resources.

During the reign of Elizabeth, England received so large an increase of gold and silver from the great production of these metals consequent upon the discovery of America, that the average price of grain rose nearly six-fold. The general increase of wealth stimulated by such additions to the current money, has given to the reign of this princess a degree of historical importance seldom accorded to a sovereign. Simultaneously commerce sprung into activity throughout Europe by this sudden increase of Money. A few millions sterling of gold and silver, added hundreds of millions sterling to the annual productiveness of nations. While the increase of the precious metals continued in some degree to augment with the vast multiplication of commodities, the progress of industry opened its innumerable resour-

ces to supply the wants of man. The conventional law of civilized nations having bound down the operations of exchange to the use of gold and silver, industry and enterprise await the accidental supply of their product, and multitudes languish in misery because these *inadequate and exceptionable metals* bear alone the stamp of authority and the blind approval of tradition.

It was even argued by the eminent Mr. Hume, at the close of the last century, that a greater or less circulation of money did not affect the increase ot national wealth. Yet he concluded correctly that the increase of coin only benefited trade and industry in the transition from a lesser to a greater quantity thrown into circulation. It is, however, remarkable that so acute an observer did not perceive that transition is a law of inverse progress and that the accidental and excessive increase, instead of the increase itself occasioned a rise of prices. That when money augments from a stationary minimum to a stationary maximum, the law of progress ceases. A scarcity of money and an excess of commodities are, therefore, inseparable and incident to both conditions. Modern statesmen and princes have been guided by this and similar economical writers, without augmenting their claims to popular respect, or securing their authority against the discontent of their unfortunate subjects. Bankruptcy and pauperism have not diminished. While the rude sentiments of the multitude are left to enforce those changes which baffle the foresight of the most distinguished legislators and economists

The mines of the New World had no sooner reached their maximum yield than depression returned. Trade and employment declined in England so much during the reign of Elizabeth's successor as to occasion great solicitude. The celebrated Raleigh, at the close of the 16th century, argued forcibly the necessity of reducing the weight of coin to revive trade, which was greatly depressed, and to improve the condition of the people, who were in great want of employment. Yet gold and silver were depreciating at the time. *Aggregate production* bears such vast and incomputable proportions to any one or two products, but especially to the limited product of gold and silver, that men, not comprehending these unfitted relations, continue to suffer great wrong, with loss of

property and inconvenience in business, from one generation to another.

Trade was, probably, worse on the continent of Europe. High prices were occasioned by the abundance of the metals, and as commodities increased both in quantity and price, money was absorbed beyond the limits of its supply. Money became scarce because commodities became abundant. An over-production of *goods* was the index of an under-production of metal. Every branch of industry ceased to be profitable from the greater capacity of productiveness, while the oppression of the community increased in a great degree with the power to supply amply every requirement. A confusion of results produced a confusion of ideas. Over-trading and over-production were to be restrained, the one with prudence, and the other by curtailing employment. The merchant could not comprehend an advice which arrested his enterprise, and the manufacturer did not understand how his capital or interest could be promoted by the non-employment of labor.

No desire can be more reasonable or more honorable than the acquirement of wealth in the pursuits of trade. It is impossible and impolitic to restrain the spirit of enterprise. Nor would it modify the evil of financial difficulties. Commercial prudence cannot remedy the violation of organic laws. Every man engaged in trade, therefore, pursues the course suggested by his own judgment, and though the great majority of traders never attain the means of retiring in independence, the numbers who do, are probably, much greater than if they were to adopt the dangerous maxims of modern philosophy.

Upon the discovery of gold in California, we have within a few years witnessed the extraordinary impetus given to trade. Civilization in Europe had divided society into two classes, the one who obtained revenues from property, and the other who had neither property nor the security of employment. Every branch of trade had approached a crisis. Peace, science, and the increase of population had multiplied all the agencies of production, yet the condition of the people had become worse. The consumption of commodities in Great Britain which bore taxes had declined, though the population had augmented. Public revenue had to be raised through

a tax on income, as well as by tax on articles of general consumption. France was not less oppressed.

Amid the universal clamor the ablest statesmen stood overwhelmed. No explanation was given. A war tax after a long and profound peace was the popular exclamation. There was an anomaly which no one appeared to solve. The industrial energies of nations were circumscribed by a cause which seemed inscrutable. No commodity could *cancel debts*, or *exchange the products of labor*, but *gold* or *silver*. The product of gold and silver was declining, while the population and productive powers of labor were augmenting. *Ten millions sterling* annually at the close of the last century had declined in 1848, to less than *five millions sterling* annually. The law of general progress was arrested with the law of retrogression in the product of gold. Respect to authority relaxed with the insecurity of existence. The material economy could not expand. Neither capital nor labor could find adequate employment.

Goods could not be sold, and labor could not be employed. What could not be vended did not call forth labor to replace them. Competition was even paralyzed by the intensity of the causes which produced it. It was prostrating enterprise instead of encouraging it. Wages and profits could not descend lower. *Money*, the indispensable instrument of commerce, did not increase, and that which already existed would not circulate. Without its proportionate increase men could not vend what was produced, much less what could be produced.

Popular ignorance ascribed this condition of things to their *rulers*. A struggle was impending, it was for existence. Revolution, incipient in Britain, broke out in France, and advanced against authority, only to augment the evils it sought to remedy, and to multiply the privations it contemplated to redress.

Europe entered a crisis, the termination of which no man could foretell—to produce consequences which no mind could estimate. Previous revolutions had swept down all traditional rights. The lands had been divided and sub-divided by experimental legislation, till proprietors were rendered poorer than peasants, and agricultural wealth could be no further abridged. What was to be the next measure in the work of anarchy?

Property was declared robbery. Projects were devised which would have added public demoralization to social ruin. No scheme was too extravagant—no visionary too wild. Exhaustion and chaos, or ultimate despotism was inevitable. The latter triumphed. The first instrument of power would have been the first victim to an office created by the irresistible force of circumstances, and which could not be abrogated without the extinction of every form of security to the life of the poor and the property of society—but a great event in human history suddenly interposed to restore men to the pursuits of civilization and to a condition of order. Employment diverted the attention of the multitude from contention with authority, to the procurement of bread.

The discovery of gold in California in vast abundance, rapidly supplied that essential element to trade, the deficiency of which had produced so universal a spirit of insubordination in all classes. It is probable that no additions had been made to the current coin of nations for many years. The records of the mints threw no light on this subject. They were but the channels of transition. How much coin was annually re-melted and converted into manufactures could not be ascertained. According to the best authorities *twenty millions sterling* is the annual gold product of California and Australia, which, taken together with the old product will give about *twenty-five millions sterling.* The free and rapid intercourse between civilized countries have diffused equably these additions of the precious metals, affording no precedence in their use such as occurred with Spain when she usurped the treasures of the new world. Industrial enterprise, therefore, enjoys in every nation their common immunity.

The immediate effect of this new and advancing increase to the stock of coin has not only extended the field of employment throughout civilization, but it has added an immense increase to the accumulations of wealth, and to the productive resources of every trading community. To the operative class it has enlarged the guarantees of subsistence, though it does not and cannot raise them to a condition of affluence. Labor is the most essential and imperishable of all property, and its capacities so different in their nature from every kind of chattel posses-

sion, that no just equivalent of its value can take place while gold or silver are the legal instruments enforced to limit the operations of exchange. For in limiting exchange it circumscribes the energies of productive industry, and obstructs the enterprise of capital, thus diminishing the resources of the nation, and the compensation of its members.

CHAP. IV.

THE NATURAL INCAPACITY OF GOLD AND SILVER—FOR EXCHANGE—GREATLY INCREASED BY COINING.

It was no doubt considered a great improvement upon common barter, when *one product* was selected as an instrument to exchange all others. Bars of copper being less bulky than most other articles of value, were used by the early Romans. On the authority of PLINY there was no coinage amongst this people till the reign of SERVIUS TULLIUS. Copper was then coined, but not silver till the fifth century after the building of Rome. The difficulty to exchange, in suitable quantities, one commodity for another, in the earliest stages of civilization, would naturally suggest the instrumentality of metal, on account of its compact and universal value. Silver was probably possessed in very small quantities, and gold in still less, if at all, by primitive communities.

Copper, *silver* and *gold* have been successively employed for *money* by all nations, as they have advanced in industry and population. These metals suggest to the mind qualities which seem to fit them for this important purpose. The *Mina* of silver was used by the Greeks, the *Shekel* by the Hebrews, the *As* by the Romans, and the *Talent* was common to all. Apart from their character as *money* the precious metals were for many reasons esteemed by the ancients as the most valuable of all possessions. That condition of insecurity ever attendant upon early civilization, must have enhanced the estimate of their importance, amid the mutations of life, their removal or concealment being so much more convenient than any other species of property. Besides they are indestructible.

There is also an apparent certainty in buying and selling when one obtains in exchange an article of equal worth, and capable of re-exchanging for the value given to possess it. All these considerations have combined to render metallic *money* favorable in the *opinions* of mankind. The precious metals as *instruments* of exchange are, therefore, held now, not less than at the most antiquated periods of history—in equally high estimation by the most learned and the vulgar. No economical writer of eminence seems to have overcome this common and undisturbed prejudice. Necessity has, however, superseded philosophy in this instance, as in many others, and every civilized nation has added a *denominative currency of Paper* to its *Metallic circulation.*

Gold and silver are produced like all other commodities, for consumption. Whatever is taken from this natural purpose and converted to coin is subsequently remelted and reclaimed to manufactures. Gold and silversmiths, jewelers, goldbeaters, and many other craftsmen use coin as readily as ingots or bars of the precious metals. Coin being the same price as bullion while its standard and assay are warranted, there are some trades who prefer and use nothing else. The melting-pot thus restores these costly minerals to their proper destination. That portion which is left in circulation is like the last vessel of water in the well, which cannot be drawn forth by oppressed pride or vanity because of the enfeeblement and exhaustion of private means.

It may be urged with great force of argument, that double or treble the total annual product of the precious metals would not supply even the moderate consumption of jewelry and plate, but for the general poverty occasioned by their scarcity for commercial purposes, and the limits which such poverty places to the incomes of the middle and operative classes, both of which would otherwise possess proportionately greater means to gratify the refinements of taste.

Nor are there any products so subject to be accumulated and monopolized as *gold* and *silver*. Being less abundant than all others, they are still less capable of diffusion. The least necessary of manufactures, they are however, the most profitable. They accumulate in immense stocks with the least difficulty, and are preserved with the

least sacrifice. Produced to gratify the most frivolous passions, and consumed by the most opulent, they are withdrawn by the goldsmiths from circulation at the lowest price, though the sternest necessities of nature, and the most imperative demands of industry are left unanswered. Ministering to the luxury of the rich at the highest cost, they minister only to trade at the most oppressive rates of usury. Nor can the consumption of *jewelry* and *plate* ever diminish, unless the incomes of the wealthy are diminished, and no diminution of their private revenues can take place until the condition of the industrious, from whom they draw their resources, is so wretched as to render the progress of a community impossible, and its decline inevitable.

No legislative provision can, therefore, preserve for the accommodation of *exchange*, what is more profitably employed in manufactures. Yet all nations have at one time or other enacted severe penalties against the melting of coin, or conveying it out of their respective countries. *An ounce of manufactured gold or silver sells for three times its weight in coin.* Three, four or five times the price of the coin is realized, according to the workmanship. It is to be presumed that there was no more difficulty for the medieval knights-errantry or ladies of degree procuring spurs or bracelets of gold during the most rigid execution of the laws against melting of the king's coin, than at present. Crowns of gold, torques and chains were lavished on the Roman soldiery, when coin commanded from thirty to forty per cent of usury. Consumption and circulation thus conflict with most unequal force.

A rich man can afford to give fifty bushels of grain for an ounce of jewelry, or three bushels of grain for an ounce of silver plate, as mere ornament, when the entire industrial community would find it ruin to exchange more than one bushel of grain, or its equivalent in manufactures, for an ounce of silver. An ounce of silver coin represents so much outlay aud so much profit. The less silver the producer obtains, the less profit he realizes. A rich man, on the contrary, the more he pays for an ounce of silver or gold, the higher is the gratification, as in such a case it must contain, besides the costliest material, a greater and costlier expenditure of labor.

It is from the amplitude of means that sentiments of pride are indulged. Those who buy gold and silver-plate purchase at the highest price they can afford, for the sake of display. The producers have just the opposite motive and interest, as the less quantity of gold or silver they obtain in exchange for their products the less justly are they compensated. The competition arises altogether from different motives, and by no means for equivalent purposes.

Not more than one part out of eight of the precious metals is added to the current coin of nations. Such is the estimate of the ablest authorities, and it must be admitted that the data is vague and the proportion very doubtful upon which the opinion is formed. Taking the total product for 200 years preceding 1800, at *six millions sterling* per annum, this would allow *one hundred and fifty millions sterling* for circulation. Yet the total currency of gold and silver in Great Britain did not exceed *thirty millions* according to the estimates drawn at that period. If double this amount was held by other countries, say *sixty millions sterling*, a total of only *ninety millions sterling* would be the whole. The allowance here made is, probably, much too favorable, while the annual product, according to Jacobs, was not less than *ten millions sterling* at the close of the last century. One out of thirteen, or probably fifteen is a more accurate calculation.

Statutory law having fixed the weight of gold and silver required to cancel debt, has actually fixed the weight which men must obtain in exchange for produce. To sell for less than a determinate *weight* or *price*, for these terms are the same, is to sell without profit, since rents, taxes, and other charges on production, exact a determinate weight of money out of the returns of every man. Law has substituted *weight* for *value.* A scarcity of gold and silver does not, therefore, raise their price, as in the case of all other products, free from statutory action. They are often depressed in value when they would naturally ascend, and raised when they would naturally cheapen. Their relation to debt is certain and determinate—their relation to all the products of industry is irregular and indeterminate. They fulfil to the rich the absolute conditions of contract—they

violate to the struggling tradesman the essential conditions of justice. Sufficient weight of gold or silver cannot frequently be obtained in exchange—yet the full weight must be paid under legal compulsion, in the cancelment of all debts.

A special office through these means is imposed on gold and silver by the state, over and above the natural purposes of production, while the law in fixing their price, exceptionally debases their value and arrests their increase. Productive economy is thus interrupted by the intervention of authority, The increase, therefore, is specially retarded of those certain commodities which *law* has decreed the most essential of all, by rendering them the *instruments of justice*, the agents of industry, and the functionaries of human progress.

If there was no interposition to affect their value, every addition to the current price would stimulate the supply. Mines would yield up their treasures when compensating prices were realized, which could not be previously worked. The power of the metals would be enlarged. Their instrumentality as money would be improved. Both their quantity and value would be augmented relatively to general production. *Metallic money would become a subject, as well as an instrument of commercial economy.*

The means of trade to employ costly metals for its operations would be greater than the means of individuals to employ them for luxury. This would reserve for the purposes of industry a determinate proportion by discouraging their consumption with the increase of cost. Their value would be more uniform relatively, and more advantageous in highly commercial countries since they would command the greatest value where they were the most requisite, and where they absorbed the greatest quantity of products in exchange.

All accumulated property in the civilized condition is a debt borne by productive industry. The margin bebetween the price of products and the incomes drawn from the producer, determines the reward of labor and the encouragement to enterprise. In fixing the price of gold, the law guarantees the claims of the creditors, while it prevents industry from fulfilling its contracts. Credit, which ought to be the handmaid of enterprise,

becomes its oppressor, since there is no adjusting power to guard the thrifty accumulators against the ruinous demands of the fortunate who have accumulated.

It cannot be doubted that the waste of labor and capital occasioned by rude barter would be materially economized by the use of bars of metals, in suitable weights, and so long as governments did not interfere to coin the metals, no serious injury or injustice amongst the exchangers would result. Debts arising from mutual traffic and reciprocal accommodation would be contracted upon such terms as experience judged the most suitable. Had no interference of law disturbed the natural value of any commodity—imposed conditions, or inflicted penalties—men's wits would have devised remedies for any defect in the methods of trading, which, in the hands of government, have become the source of incalculable wrong and national calamity.

The claims on industry would, there can be little reason to doubt, have been regulated by competent adjusters, whose business it would be to preserve a record, and determine the market value of the metals. When the metals were scarce, a less quantity would vend an equal or greater quantity of produce, and cancel an equivalent portion of debt. When they were in greater plenty, vending would not be affected, exchanges would adjust themselves with the quantity of metals and products. *Averages of price would determine the equity of obligations.*

The rent of land in England and Scotland was formerly paid upon this principle. Whatever was the price realized for grain on three or four market days at different periods of the year was averaged, and the amount so determined was paid. When rent was paid in this manner it was called *Conversion Price.* Such contracts were not only just, but they undoubtedly economized the valuable labor of the farmer, who would be enabled to sell when otherwise he must frequently have returned from market without success or profit. And though coin was the instrument of liquidating the obligations between *tenant* and *proprietor*, it was not employed as a *legal agent* but in its true character, as a *subject of commerce.*

The individual, and ultimately national ruin, which

has resulted from the use of metallic money never would have occurred had the governments of communities not interfered and coined the metals. Making and regulating money is strictly a function of trade, and, therefore, a usurpation of the state. Had the metals remained uncoined, the weight and assay of each piece being simply affixed by the traders, not by authority, and *valued* by the exchangers in their dealings, the inconvenience thus arising would have been the only loss sustained. The worth of the metal and not its weight would have prevailed—since the law of *value*, not the law of *gravity*, can alone cancel with justice and equity, the claims of debt.

Nor was the evil less that the first coinages of all nations bore the inscription of their weight. The edges of ancient coins as well as their obverses, were stamped, probably to guarantee their current use without the trouble of weighing. Princes would, however, soon observe that the wear of the coin did not reduce its current value. On the contrary, the increase of commodities without a corresponding increase of coin must have in most instances, raised its value. A greater amount of product would be obtained for the lighter coins. The weight being reduced from constant use, while the current value rose, would be a problem of some difficulty in the crude condition of finance in early civilization. This, no doubt, suggested to crafty princes the first idea of alloying and clipping the coin. Gold suffers from abrasion a loss of one per cent in six years ; silver one per cent in two years.

The distinction between *weight* and *value* in the nature of money seems to have excited the consideration of the profound Locke. He proposed the revival of stamping the weight on the gold coins. Though such an advice had been adopted by the British government, it would not have served in any degree to modify its injurious action on commerce, of which, there can be no doubt, he was cognizant. Whenever weight superseded value, the real character of the metals was set aside and a legal capacity substituted. Though the scarcity of coin caused by the scarcity of supply, or the increased consumption of the metals rendered them naturally more valuable, the quantity of weight necessary to discharge

debt would not be relinquished by the creditor, and the debtor could not, therefore, vend his produce without the obtainment of the quantity of weight, which would compensate outlay, besides transferring the weight contracted to be paid. If one of silver would exchange for a hundred times its weight, on average of general produce, the amount which could be exchanged would be determined by this relation. If the products to be vended, either in a particular market or aggregately, amongst a community exceeded these proportions, then all in excess would remain unsold. Two alternatives would alone remain, either the excess must be sold on credit, or the whole be debased in value. If the quantity of products were increased, or the silver decreased—so that the proportions became *one hundred and fifty* of produce to *one* of silver—then the value of money must rise *one-third*, or the current price of products sink in this degree, or the vendition be less than *supply* one-third. These results follow as definitely as the law of geometrical ratios.

The British pound sterling was current at *fifty-four pennyweights* of silver, for twenty years preceding 1817. All obligations of *debt*, public and private, all *denominations* of value, whether of estate or exchangeable products averaged this standard. It was raised by statute to *eighty pennyweights.* This unwarrantable act of parliament, reducing the enumerative capacity of silver and gold, continued to reduce the enumerative price current of all merchandise and products for upwards of thirty years after the alteration. *Three pennyweights and eight grains* of gold in the current pound sterling, was raised to *five pennyweights* and *three grains* of legal liability. The standard weight of money being raised one-third, the price of all products was reduced at least one-half. Many products sunk two-thirds in price current. The current liabilities, public and private, of the nation, were by that extraordinary measure doubled—probably augmented three-fold. A tradition was restored—at the cost of general ruin and confiscation.

The great abundance of gold from the recent discoveries began to operate against this law and to arrest its action about 1850. Since that period prices have risen in a considerable degree, thus reversing the progress of

decline, while the additional and numerical increase of coin has multiplied the number of exchanges to so great an extent, that the production of wealth in Britain cannot have augmented less than one hundred millions sterling annually. Public liabilities have declined in the exact proportion of the rise of price.

Gold and silver are required as *enumerators* as well as *estimators* of value. But in neither character are they capable of performing the progressive work of commercial enumeration or sustaining equivalency. They cannot multiply correspondingly with production, and therefore, the energies of men are limited or arrested, so that they may have time for the continual arrearages in this overwork of their powers. If, however, gold should increase for a time so largely as to accommodate the requirements of trade, it invariably depreciates. As it sinks in value, it diminishes in capacity. Its relative and proportional value recedes with its greater supply. An abundance of gold does not, therefore, produce an abundance of money, or mitigate its scarcity. Its temporary increase causes depreciation, and depreciation ultimately limits its production. It thus debases its own value, and arrests its production by that debasement.

The quantity of supply of every commodity is the universal law of value. Every community, therefore, suffering from a natural deficiency of the precious metals for industrial purposes, absorb them alternately from each other, and disturb the equability of their respective proportions. The nation from whence they are withdrawn instantly finds its commerce reduced to stagnation, and the equity of every obligation violated, consequent upon the current value of money having risen in exchange, without any adjusting provision in the current and hourly maturing debt inseparable from commercial enterprise. Wherever these metals accumulate, a feverous activity is at once excited, and industrial prostration, occasioned in one nation by their scarcity, is produced in another by their excess. *On this account the value of these metals is less equable than any other products.* A ton of bar iron will sell at one time for four ounces of gold, (sixteen pounds sterling,) at another for two ounces of gold, (eight pounds sterling)—no deficiency in the supply of iron, nor alteration in the wants

of the community may have taken place. *It is, therefore, demonstrable that the value of money, and not the value of the commodity is disturbed by these extremes.*

A measure of weight is as distinct in its nature from a *measure of value and enumeration* as an element is distinct from a substance. *Lowering* or *raising* the weight of money does not on this account ever operate in the same degree relatively to the price of commodities. Hence the institution of public economy being false in its process of equity, is confused in all its results, and labor, however great its capacities, having no immunity but that which human experience defectively provides, may be likened unto one who has great titles which are disputed, and is from that circumstance no better in condition than if it were without right, because it is without justice.

CHAP. V.

ORIGIN OF MONEY AND DEBT. THEIR EFFECT ON THE SOCIAL CONDITION OF MAN.

The invention of money is ascribed by Herodotus to the Lydians. Ancient writers, however, differ upon the point. There is, moreover, an evident misapplication of language in speaking on this subject. Coining cannot be regarded as an invention, since it made no alteration in the method of using the metals, other than was the common practise of barter. Stamping by public authority to attest weight and purity, neither affected the value of the products nor fulfilled any office which could not have been as safely exercised by the community. Nor could magistrates offer any greater security against alloying or counterfeiting the precious metals, than if the attesting had been performed by tradesmen whose judgment and integrity would, at least, have guaranteed the public against abuses which rulers in every age have not scrupled to practise.

Governments having invariably exercised the office of *weighers* and *assayers*, also assumed the office of *determining* by legal enactment *value* and *capacity*, and here-

in committed a violation of *economical law*, involving social calamities, terminable only in the eventual extinction of industrial progress and the dissolution of national power. The Chinese government alone forms an historical exception in the financial policy of a great state. Gold and silver coin was current amongst this people at a very early period. These, however, have been for many ages almost abandoned, in consequence of their scarcity, and copper coin substituted, which now circulate as the common medium of exchange. They also used sheets of silver for merchandising. When a purchase was made, the buyer clipt a piece from his sheet, which the seller, who was always provided with a pair of scales, weighed and accepted in payment. These pieces were then used in current exchange. The causes which arrest the progress and prevent the decline of that singular community, are first, the paternal character of its government; secondly, their contempt for trading pursuits and military spirit; and thirdly, the destruction of their infants, which restrains population to the limit of their resources. To what extent these political circumstances are attributable to their inferiority of race, it is properly for natural philosophy to determine.

The Romans used the temples of their gods for the manufacturing of coin. It was within the sacred residence of JUNO MONETA that the coinage of gold and silver was conducted, and deposits of money kept. The officers who superintended were called the *Monetarii*, hence the derivation of the term *money*. As the temples of the gods, our modern coining-houses or mints will disappear when men have become wiser. The materials of economical science are, however, only attaining definite forms and qualities. Laws cannot be deduced, much less demonstrated, until an object, or series of objects have perfected their distinctive properties. Combinations of men into nations for economical or industrial purposes necessarily precede a knowledge of the laws upon which such organizations should be conducted. Civilization may, therefore, be said still to be in an experimental condition. The labors of the most profound thinkers who have contributed to this *science*, have thus been attended with difficulties, which could not be ob-

viated, and which have only been partially surmounted by immense research.

When primitive industry had even so far progressed as to have divided into several branches, exchange would present few difficulties. The few and rude nature of the products would be bartered without inconvenience. Copper and silver, in the course of time, would enter into the materials of manufacture. The high value of a piece of copper or silver would render it available for *exchange* as well as *manufactures.* He who did not want to barter a sheep for a spade, or a bale of wool for a plough, would barter the sheep or the wool for a piece of metal, and thus facilitate the exchange to the convenience of the manufacturer.

Money thus satisfies an immediate want, being simply a deposit of equivalent security, to supply a future want. It facilitates industry or supplies a necessity, when direct barter would postpone the exchange until the wants of both exchangers had matured. *Money* anticipates consumption. The demands of the more urgent precede and stimulate the operations of the less urgent. Each buyer depositing a piece of metal for the product required, if the quantity of pieces multiply definitely and aggregately with commodities in a determinate ratio, then every article produced will be vended. Supposing one piece of silver will circulate five times its value, then that proportion must be preserved, or the capacity of exchange will be less than the capacity of production. The ratio should proceed thus—silver 1—products 5. 2–10, 4–20, 8–40, 16–80, 32–160. General production, however, progresses at a ratio far exceeding this computation, or inverse supply of money, and, therefore, the condition of all nations have eventually deteriorated with the extension of their resources.

As barter is the earliest form of exchange, only a few transactions would require the intervention of *metal.* The impediments of transferring one value for another would be overcome by the combined process of direct barter and metallic barter. Every invention aiding the productiveness of industry would, however, receive encouragement. Contrivances would multiply as handicraftsmen increased, and not till men had congregated in considerable numbers would barter become less prac-

ticable, and the inconvenience of a scarcity of money produce injustice and oppression.

No motive to the violation of morality could arise in the earliest and simple condition of society. Artificers would, therefore, mutually accommodate each other. Whatever was necessary to prosecute their respective trades would be promptly contributed by those who held the requisite materials. It would, however, soon be found that more pieces of silver were necessary to produce a machine or piece of cloth than could be immediately obtained for either in exchange. An ounce of silver might buy the products of a week's labor, but the artificer would require to outlay five, ten, or twenty ounces to procure tools and proper quantities of material for his simple enterprise. These could be obtained more easily on credit, then pieces of silver could be obtained to cancel the accommodation. At first the inconvenience would scarcely be felt, as no definite time for payment was probably exacted.

Such a condition of simplicity would disappear as the different degrees of accumulation began to manifest the progress of wealth, correlatively with the enlarging populousness of each city or community. Barter would become less and less practicable as cities increased. All trades becoming divided and sub-divided to facilitate production, the exchange of product for product would become commercially impracticable. *Money*, so essential in trade, yet so inadequate to its requirements, necessitated the aid and multiplication of credit. Debt, thus became in the progress of society the only alternative against returning to a state of nature.

Credit commences with the civil state. It is the act of one citizen extending his industrial aid and faith to another. Without it civilization would have been impracticable. Its destruction even at this moment would dissolve any commonwealth. While its increase facilitates industry, and adds to the income of the producer, it essentially conduces to the wealth and advancement of the nation. Whenever it exceeds the proportion which money can properly cancel, then it becomes a clog to industrial enterprise, and diminishes the wealth of a community. One citizen becomes the oppressor of another, and a universal tyranny pervades society. Debt

and credit, evidently accelerate the enrichment or ruin of a people.

Money alone cancels debt and, therefore, the current quantity of money determines the limits to which the profitable use of *credit* can be carried. The proportion of credit, limited in its circle of extension by this law, regulates the extent to which commerce can be safely and profitably pursued or expanded. Whenever the wealth and productive powers of a nation exceed these limits, the unvended over-produce enters into forced competition with the other produce in the progress of circulation, and degrades the value of the whole circulating in the marts of industry. *Credit instantly becomes less advantageous and more necessary.*

Credit soon changes from the borrowing of a day's labor to be repaid with a day's labor, or a bushel of grain to be repaid with a bushel of grain, to merchandising and borrowing money upon heavy usury. The *medium of exchange* becomes *private property*, which is neither lent freely nor upon liberal terms. It is difficult to obtain *money* on credit from the same cause that it is always difficult to get it in exchange. The scarcity of the quantity in circulation renders it, therefore, ruinous at times to borrow on interest, or to obtain in exchange for goods. Yet the interruption to industry is still more ruinous. Those who can borrow have, therefore, great difficulty to repay, and impoverish themselves frequently to keep their credit. Such has been the social condition of man throughout the past as it is at the present.

The quantity of debt in all nations bears a definite proportion to the current quantity of money. If the aggregate silver and gold in circulation does not progress with the progression of capital, the ratio of credit cannot be safely augmented, whatever may be the requirements of trade. Debts can only be contracted beneficially to aid commercial and domestic exchange conformable to the limits set by the instrument which cancels it. Thus we find *current commercial credit* in England *is fifteen to one of banking discounts.* It is possible that it might be carried to *twenty to one*, that is, twenty millions sterling of current credit to one million sterling of current bank circulation. But as credit enlarges, the danger to commerce increases. The least ob-

struction to trading activity under such circumstances involves consequences proportionately more ruinous to those who have employed the greatest credit. The most useful and enterprising are, consequently, the most certain victims to the interruptions and vicissitudes of finance.

Governments seem to have interposed in the operations of trade, anterior to the earliest records of history. Debts were reclaimed by law amongst the Egyptians, and inability to pay provoked the most severe penalties. The debtor became the slave of the creditor, and civilization was thus perverted, with all its power over its individual members, to an unlimited tyranny. Personal liberty and inviolability, the most sacred condition of the civil state, were thus revoked—without any moral or adequate offence against the community.

The insecurity of a state of nature, which men sought to escape, was revived in the social combination by laws founded on error. Property was not secured to industry, and when poverty ensued, debt became the alternative, and enslavement the penalty. In this matter the Greeks copied the Egyptians, the Romans copied the Greeks, and modern nations have copied the Romans. We are becoming wiser than our predecessors, yet the prevailing laws on debt and debtors are discreditable to the age. Amongst the ancients, as with us, the state, not the individual, is the offender. The liberty of the citizen, which is the foundation of the civil compact, hitherto outraged from this special cause, has, throughout the past eventually been expiated in national ignominy and destruction.

Moses witnessing this fearful oppression, with its inseparable and debasing consequences, occasioned amongst the Egyptians, provided, with great wisdom, in framing the constitution for the Hebrews, that all debts should be periodically canceled, and any forfeiture of right intervening the seven years when this decree took effect, was restored in its entirety to each individual. The Hebrew law-giver also provided that no interest was to be taken for money amongst the Jewish people. This law was an exception to all others, as it was not clothed with the spiritual character which pervaded nearly every legal injunction. It was not, therefore, on moral but political grounds that usury was denied—as

Moses expressly sanctions the right of usury being taken in their dealings with other nations.

This will account for the adventurous and trading character of the Jews, who, finding they could not make profit by usury in their own country, would naturally carry the gold and silver they had acquired by their industry to the seats of traffic. We find the founder of Christianity commending this spirit of enterprise in the parable of the faithful servants who were severally entrusted with so many *talents* of money. A premium was thus offered under the Mosaic law for carrying money out of the Jewish community for the purposes of commerce and profit.

The Hebrews, however, enjoying the use of money from each other without usury, secured advantages of manufacturing cheaply, possessed by no other contemporaneous people. In the manufacture of fine linen and other fabrics which became the subjects of commerce, they evidently commanded special facilities. The excessive rates of interest which prevailed amongst the ancients, and which added largely to the cost both of production and exchange gave to the Hebrew merchants a most profitable commerce in their intercourse with the Phenicians and Greeks. They thus exercised a two-fold means of realizing riches, namely *usury* and *comparative cheapness of products.*

The institutions and rural condition of the Jewish people also gave them the means of being sellers rather than buyers. On this account whatever their traders realized in foreign lands would be remitted principally in gold and silver, and not in the more cumbrous commodities. It was by traffic, but probably more by usance, the Jews acquired their proverbial riches. And what is not less remarkable, the monopoly of the precious metals which they attained, was the result of the legal restrictions which rendered them the least productive of any class of property amongst themselves. The regal extravagance of Solomon, which seemsneither to have been oppressive to the nation, nor unsuited to the tastes of his subjects, testify the great riches and prosperity to which the Jewish community attained. Those salutary laws which had mainly contributed to their welfare, became relaxed with their opulence, and eventually usury and

money changing became as common in Judea as in other countries.

When Solon was raised by his oppressed countrymen to the high office of law-giver, he found all the lands in the state of Athens irrecoverably mortgaged and the people overwhelmed with debt. The populace demanded the abolition of debt and the distribution of the lands. He conceded the former, and decreed the canceling of all debts, but firmly repulsed the latter. This clamor about the division of land is as common amongst the multitudes which compose our modern cities. It was several times effected by the Romans. Insecurity of trade, frequent interruption to employment, with periodical ruin, combine to direct men's minds to the possession of land as the only reliable guarantee for subsistence.

When land was mortgaged in the Athenian State, a practise prevailed of putting up a post, with an inscription, announcing the debt. The custom though necessary for the interest of those who loaned money, when institutions and laws were of the rudest and simplest character, must have been most repugnant to the spirit of a people whose personal and political freedom necessarily inspired the strongest impulses of pride. Lacedemonia was overwhelmed with similar social burdens. Lycurgus not only abrogated all claims of debt, disburthening the numerous proprietors of land, but he decreed that *iron* and not *gold* and *silver* should be the future currency of the Lacedemonians.

So scarce were the precious metals, that the rate of interest was generally about one-third of the amount lent. Aristotle, who observed the rapid process of confiscation which the high rate of interest inflicted, terms *usury* "*rapine*," and disputes the right of any man obtaining interest out of money as incompatible with its invention and institution. The necessity of borrowing arises from the scarcity of money—the incapacity of paying arises from the necessity of borrowing. Since it was not only that men borrowed because they could not vend, but because of the high rate interest imposed—exacting principal in the form of usury, and rendered cancelment frequently impossible.

Over trading and over speculation are common charges made against the merchants as a class, whenever a crisis

in finance reverses the progress of trade. Such arguments seem invented to shelter ignorance by charging the responsibility of social misfortune upon its victims. But, were it asked, why have the holders of land, whose frugality and caution are proverbial, so generally become overwhelmed with debt, it would be difficult to reply. Not from over trading like the merchant. Not from speculating like the enterprising capitalist.

Agriculture is subject to the same confiscatory laws, though they operate in a different manner and by a slower process. Land is the most tangible of all property, and therefore, the safest investment. Land cannot be multiplied like trading capital, and consequently a family of four or five sons must, if they are to succeed in the world, become professions or traders. Considerable expenses are necessary to give a fair start to each one. Low prices for produce, or bad seasons from time to time, demand a modification of rent, when probably the demand upon the means of a parent is the heaviest. Portions must be given to some, respectability upheld, and debt is the alternative.

These causes combined, not less of antiquity than at the present time, have subjected the classes who hold land to the same dependency and oppression incident to commercial undertakings. More than one-third of the produce of the soil of France is required to pay the annual interest of the mortgages upon it. Debts multiply inversely with the scarcity of money and the high rate of interest. According to the statistical estimates of M. Audifret and M. Raudot, both of whom members of the French legislature in 1849, the total annual product of the soil of France was *eighty millions* sterling. These authorities have computed *thirty millions* sterling to be the annual interest of mortgages on the land—*twenty millions* sterling the state and local taxation exacted, leaving only *twenty millions* sterling for the subsistence of the cultivators and proprietors. This vast acumulation of debt had taken place since the revolution of 1793.

On the authority of many professional men entrusted with the execution and transfer of titles of land ceded to railway companies, under acts of Parliament in England, it has been stated that the value of one-third of

entire land throughout the lines surveyed was mortgaged. This would be equal, at least, to half the rental. Interest of money is subject to no vissicitudes, nor its fulfilment to any delay. The law of entail however, exceptionally shields the possessions of the British nobility against the general statutes on debt, and absolves each consecutive generation of liabilities which other wise would, in all probability, have long since periled, if not overthrown their political supremacy.

The first social revolution of the Romans, which established the tribunal magistrature, was occasioned by the insupportable oppression of debt. This occurred within fourteen years after the expulsion of the Tarquins, and not exceeding 264 years after the building of Rome. What were the subsequent and repeated struggles of the Romans to disentangle themselves of debt is a dark record of their political history. War and conquest were but professions amongst this people like any other calling, honorable in the sentiments of the populace, and profitable at times to all engaged in it. These contributed, however, less to the national wealth than a proper disposition of their industrial energies would have done, and though it accelerated the ascent to national predominance, it was devoid of stability and precipitated rather than retarded the progress of their polilitical declension.

Debt accumulated more rapidly amongst the ancients than with us. The excessive rate of thirty-four per cent interest, common to those ages, manifested the great scarcity of money compared to modern times. Interest would then compound and equal the principal, if paid half yearly, in less than two years and a-half. Interest paid yearly now would not compound and equal the principal in less than thirteen years. The statute fixing the rate of interest in England at five per cent was one of the most salutary laws for the interest of trade ever accorded by legislative justice.

The value of that measure cannot now be appreciated. Nor can it be estimated how much it contributed to facilitate and cheapen domestic production, and to aid the merchant in successfully competing with the merchants of other countries—extending the foreign trade and giving to Britain a command over the precious met-

als, greater than all other communities. A low rate of interest evidently conduces to the increase of money, while a high rate produces the opposite result. *Products* buy gold and silver, and that people which can sell the cheapest will obtain the most of these metals in exchange. The scarcity of metallic money does not, therefore, confine its oppressive effects within the circle of domestic industry, debasing the value of labor and commodities, it also enters into the economy of commerce, and one nation becomes the oppressor of another, as one man had become the oppressor of another—the stronger competitor destroying the weaker. Notwithstanding the comparative abundance of money amongst the British traders, it has been computed that upwards of *thirty millions of pounds* sterling is annually lost by bankruptcies and compositions.

The celebrated Lord BACON suggested the propriety of making two rates of interest—one for large sums and another for small. It is not necessary to examine this opinion more than to exhibit the difficulties surrounding the nature of money, and the innumerable remedies which the most profound have sought to modify the financial error urged throughout this work. Organic laws operate irresistibly. The most ingenious devices or judicious administration, cannot avert the evil consequences of their violation. Undeserved misery, unmerited bondage, unnecessary privations, have spread their blighting influence throughout the area of civilization in the past and the present, paralyzing industry and subverting justice, while thrones have tottered and fallen amid the general wreck of national anarchy. Even the inexhaustible beneficence of the Creator—the incomputable powers of human genius—the limitless energies of humanity have been dashed from their natural course, and the magnificent purposes for which infinite wisdom bestowed them on man, lie like a broken vessel, with its treasures spilt upon the earth.

CHAP. VI.

REDUCTION OF THE WEIGHT OF COIN—A MEASURE OF NECESSITY RESORTED TO BY ALL NATIONS, ANCIENT AND MODERN. THE RELIEF ONLY TEMPORARY.

With very little variation the *pound troy* of twelve ounces in weight, has been the standard *unit of account*, first adopted by nearly all communities. The *Mina* of the Greeks, the *As* of the Romans, the *Livre* of the French, and the *Pound* sterling of the English were originally all of that weight. With the Hebrews the *Shekel* did not much exceed nine ounces. The *Mina* was coined into seventy-three *drachmas*, each drachma containing about seven pennyweights of silver. By a public decree it was coined into one hundred drachmas, each containing less than five pennyweights of silver. This measure added a fourth to the current money in circulation. PLUTARCH says that it was remarkable in its effects—prices were not raised, and, therefore, the creditors did not suffer by the change.

No doubt the Greek economists would find some difficulty in solving this singular result in the laws of value. A bar of silver one pound in weight, would not, it is supposed, exchange for more than its worth, though coined. Either the silver was exchanging previously above its value—which is but reversing the difficulty, or silver when coined, circulates without an exact respect to its value. Silver will certainly exchange above its value when it becomes scarce. When products are sold beneath a fair price, silver is commanding more than its proper value. The scarcity of silver may, however, be so great as to leave much produce unvended, even at the lowest prices which could be accepted. A two-fold loss is thus inflicted. Deficiency of demand is added to deficiency of price. Under such circumstances a reduction of the weight of coin restores, in some measure, the natural relations of value. Money being numerically greater, multiplies demand without adding to price. Products which were formerly surplus, or the products which could have been supplied at prices current, finding a demand hitherto denied, compensates the grateful

producer too amply for him to increase his demands for higher prices. The capacity of the coin to discharge debt not being diminished, though the weight had been so, its capacity to buy the same quantity of products would not be affected. This is confirmed upon the best authorities.

Other communities suffering from the same cause, can little spare any portion of the silver which has fallen to their share. A general debasement of prices and a high rate of interest, which is a premium against exportation, combine to prevent a great influx of silver to a nation even where it may command a degree of higher value. Whatever additions are thus gained, are so limited that they may increase accommodation rather than price, and thus by encouraging trade cheapen many products instead of raising them. There is besides, a tendency to raise the value of silver in other countries to the denomination effected in a particular community.

Hume in his "Essay on Money," quotes Du Tot, a French writer, in support of this fact. The *Mark* of thirty livres was coined in the last year of the reign of Louis XIV, into fifty livres. Each livre passed current for nearly the same quantity of produce. A century had elapsed without material alteration. Mr. Hume does not dispute. neither does he explain, in what manner the abstract value of silver does not change correspondingly with the reduction of weight.

When a community can vend the products of labor readily for current prices, the coin received being capable of lawfully canceling the current debts between man and man, no one is exact about the weight of silver contained in the coin. Its lawful denomination is the public guide. It depends upon the prudence and sagacity of a government to what extent such alterations can be safely effected. To multiply demand by enlarging the numerary circulation, not only promotes the increase of national wealth by the activity of domestic industry, it also extends the foreign trade of a country, by enabling the merchant to export many articles previously too dear—the weight of foreign coin bearing a greater value. There is also a tendency to pull down the value of money in the neighboring communities, and thus prevent any change in the value so adopted.

If a scarcity of money limits the operations of productive industry, a reduction of the weight of coin in the proportion to such impediment would occasion no advance of price. Taking the margin of unemployed labor at one-tenth, the deficiency of money is determinate in that degree. One-tenth of the annual product of wealth amongst a people is thus obstructed, because it cannot be sold. A reduction of one-tenth of the weight of coin would add a tenth to the numerical circulation of money. Sequentially such an addition of money would add to the demand of commodities instead of to the price of them. Supposing silver capable of this diffusive action, the productive powers of a community being yet capable of enlargement beyond the new limits, competition also steps in to repress the tendency of prices to rise. However, these measures have generally been resorted to during war, for the purpose of raising revenues, and not from any commercial consideration. They have, therefore, contributed in a small degree to the interests of trade. Excessive alterations on the return of peace might restore to the commercial cities an influx of silver—which operating upon the quantity of produce in the hands of the merchants, raise prices and concurrently excite throughout the nation a rise where no increase of money had taken place. And hence, reduce in current exchange the value of silver in some measure to what the state had formerly raised it.

Practically a reduction of the weight of coin by an indirect process makes it a subject of commerce and so far as it accomplishes this end, it mitigates the evils inseparable from its natural and institutional character. Necessity rather than wisdom generally urges princes to the adoption of measures which modify or aggravate the difficulties of the commonwealth. When, therefore, the understanding of rulers is unequal to its office, and circumstances instead of foresight, impose action, the safety of a people must indeed be in the hands of feeble masters. We cannot feel surprise at the calamities through which nations pass, if we bear in mind that statesmen are men of education more than of experience. Born in opulent circumstances and despising the pursuits of trade, they cannot comprehend the innumerable evils incident

to the exertions of those who supply the revenues and riches they dissipate in ignorance or extravagance.

In the first Punic war the Romans reduced the weight of the *As* from twelve ounces to two. It was reduced to one ounce in the second Punic war, and to one-half ounce in the third. No complaint was made of these extraordinary reductions by the creditors, probably because the current value of the coin was in a small degree diminished. Dr. Adam Smith expresses some surprise at so unaccountable a circumstance. During such emergencies the scarcity of coin would compensate by adding value correlatively with the dimunition of its weight. These measures would adjust prices to the extraordinary expenditure and debts inseparable from war, giving elasticity and prosperity on the return of peace.

It is possible that in the wars with Carthage the treasury would be often exhausted to supply the forces with every possible means to sustain their contest and secure success. Many years would elapse before the return of the precious metals so dispersed, and the change of weight would gradually have changed the nature and denomination of debts. As this measure was resorted to in each successive war with Carthage for increasing the finances of the state, and by consequence relieving industry, we may feel assured that it was urged by that sagacity and foresight which characterized the policy of the Romans in all great emergencies.

Debt had produced serious defection, and even occasioned revolutions long before the first Punic war, hence we may infer that no alternative was left but the adoption of these measures to prosecute their several wars with any chance of success. During such crisis prudent statesmen will not scruple to adopt measures which in ordinary periods the powerful interests of the wealthy would render dangerous for the most influential ministers to attempt. When the illustrious William Pitt, in 1797, signed the *order in council* suspending the legal liability of the bank of England to convert its notes on demand; the act was promptly endorsed by the rich, and his capacities to direct the policy of that critical epoch at one recognized.

James I. was urgently advised by the eminent Raleigh to reduce the weight of coin that he might

increase the money within his realms. Commercial, and not state exigencies, seem to have actuated the views of the writer. He says: "*touching the coin*, for the most part all monarchs and free states, both Heathen and Christian, as *Turkey*, *Barbary*, *France*, *Poland*, hold it a never-failing profit to keep their coin at higher rates within their own territories than it is in other kingdoms. The King of *Barbary* finding the gold coin leaving his kingdom by merchant traders raised the gold ducat, which was current for two ounces of silver, to four, five, and even six ounces. This caused gold to come into the country. He then raised the silver coin to retain it." He also adds, "The King of Poland raised the Hungary ducat from fifty to seventy-seven Polish groshes."

These measures could only afford temporary advantage to the interests of industry and commerce. There is no device of the state by which coin can be made permanently abundant. Its natural scarcity also produces the collateral evils of hoarding and exportation. Many accumulate coin as they would accumulate stocks of goods, or houses. or any other property. Not because they would not like to realize profit, but that they prefer to forgo the chance, from the great danger of losing what they have gained with so much labor, and which they so much prize for its incomparable utility. Hoarding is, therefore, a custom which prevails to the greatest extent, where money is the most scarce—irregular in circulation, and hard to acquire.

Some communities suffer greatly from a constant drain of their coin. Nations separated merely by a geographical demarcation cannot by any possibility preserve an exclusive and necessary amount of coin within their jurisdiction. The Athenians stringently prevented the coin from being carried out of the state. No exceptions were made unless in case of war or apprehension of famine, when it might be exported for grain. England executed not less strictly her laws against the carrying of coin out of the realm. Her insulated position gave her abundant means of executing such provisions. France on the contrary, with numerous nations lying upon her line of frontiers had no means of preventing the efflux of her coin. Her finances, both in peace and

war, have, on this account been subject to great derangement, compared with Great Britain, from a cause which the insulation of the latter greatly diminished

France of necessity has reduced the standard weight of her coin more frequently and to a greater extent than England. The *livre*, originially *two hundred and forty pennyweights* of silver, contains now only about *three pennyweights*, while the *pound* sterling, originally the same weight as the livre, still contains *eighty pennyweights* of silver. France, being also the leading and most wealthy community on the continent of Europe, occasions, by her superior resources, a tendency to better prices than prevail amongst the poorer and inferior communities which rest on her confines. This acts as an encouragement for the effusion of her coin without her dominions. What she could sell cheaper than her neighbors they are too poor to consume, while they can sell cheaper many products which she requires for consumption. Cheapness is a premium by which one country seduces another out of its scarce and always requisite coin.

The wealth of France has been greatly retarded through these circumstances. Whenever an abundance of coin occurred, whether through the importation of bullion or from the reduction of the legal weight, her prosperity and augmented consumption offered a market for the products of customers who sold but did not buy. Her circulation thus diminished with the continuance of her prosperity and thrifty progress. Credit strengthening with her activity would accommodate the requirements of trade, and thus supply, for a time, the inconvenience arising from the growing scarcity of money. Even the frugal and prudent of her own numerous people, always apprehensive of adversity, sickness, and age, habitually reserve and hoard their savings and, therefore, contribute to the general causes of decline. Recurring depression has thus gradually prevailed throughout her innumerable branches of trade and industry. Nor can there can be a doubt that the political instability of the French nation is specially superinduced by the insecurity of its commercial and industrial condition, arising from the irregularity and scarcity of circulation.

The middle classes in France having less means of accumulation or security than the same class in England, are less conservative of authority. Besides they suffer more immediately from any interruption in trade. Hence the sympathy of men distinguished both by education and birth, with the most absurd and theoretical schemes of social change. The abrogation of the ancient rights of the nobility, and the division of the lands, has diminished rather than augmented the resources of the soil. But failure in economico-political projects does not, it would seem, discourage these disastrous *philosophies* which prepare nations for ruin by the disorganization of all sentiments of respect to established institutions and rights. It is *construction* conformably to existing interests, with the expansion and development of those civil immunities yet imperfectly exercised even by the more fortunate, and not through *disorganization* that nations can realize the sacred purposes of civilized justice and moral equality. A false principle in the *economical* body, like a disease in the physical, operates under different conditions with a greater or less degree of severity.

CHAP. VII.

THE PRECIOUS METALS, HOWEVER ABUNDANTLY PRODUCED, NEVER ADEQUATELY FULFIL THE FUNCTIONS OF MONEY.

An abundance of gold or silver, by sudden discovery, relieves for a time the immense demands of trade. Most of the new supply, when first thrown into the market, is added to the coinage. The old consumers do not purchase more jewelery and plate than formerly. Trade is stimulated for a period by the multiplication of coin. Those classes who previously could consume such valuable manufactures soon participate in the augmented profits of trade. Their abilities to purchase enlarge with the extension of enterprise, and the advanced prices of products. A new and larger class of consumers is also lifted up during the transition, to a condition of

affluence, who can indulge in such luxuries. Consumption ultimately increases in greater ratio than supply.

It holds as an invariable rule that the consumption of certain luxuries is only limited by the means of the community to purchase, as there is no limit to such wants. That portion of the precious metals left for circulation is but the index of limitation of private means, and that limitation is determined by the nature of the metals limiting the power to produce and, therefore, means to purchase. Those who can only obtain the comforts of life, and others, by far the most numerous class of old communities, who can scarcely obtain bread enough for their families, will contribute little to the trade of the jeweller. To pre-suppose the continuation of this condition of things while the powers and resources of civilization are hourly multiplying beyond estimate, is to admit the destiny of the species no longer a problem but a failure.

Notwithstanding the immense issue of gold coinage within the last seven years, of upwards of *one hundred millions sterling* from the mints of the United States, Britain and France, the tradesmen of the former country suffer, at this time, inconvenience in obtaining payment from each other, which seems unaccountable. In Britain and France it is true, that wages being much lower, manufacturers and tradesmen suffer less from heavy outlay, and have even the means of accumulating cash beyond their business requirements, but the operatives in these countries reap no further advantages by the great increase of money than merely an additional security for employment.

Universally raw materials have risen in price while *labor*, being much more abundant than any *product* in the market, has not advanced. Man is a product, subject to the laws of value, yet less subject to restraint in the production than any other. His value is debased proportionately to its excess. The supply of money has not yet equalled the supply of labor, while it has considerably exceeded the supply of many products. Thus, compensation to industry is really diminished, though the numbers employed are greatly increased.

Every class in American society expect to realize property. Fewer, however, are in a position to acquire

possession of substance or estate at the present time than there have been for many years. Rents and real estate being much raised absorb the reward of labor, and the returns of the tradesman, leaving both less powerful to contend with those who got the start on the first influx of the precious metals. The abundance of gold thus confers a monopoly rather than a common immunity, since before it has passed into the hands of the great body of society, it is employed to purchase estate and raw products in masses, to be re-sold at great cost. It becomes absorbed in high prices by such means, and before it attains a general diffusion it is found to be inadequate even to absorb the available labor of nations, much less compensate the laborer for the higher cost of living or rent.

The productive enterprise stimulated by the flood of gold from California, conferred suddenly great riches upon a few favored in their position, who now exercise the immunities thus attained, to absorb, from their humbler neighbors, the profits of labor and trade. Industry is neither sustained in its reward, nor trade aided in its progress by a uniform and necessary accommodation. Rents do not correspond with business, because the harvest of business has been preceded with the lustier reapers. The channels of circulation are no sooner filled than they are drained. A scarcity of gold is an oppression, an abundance a monopoly.

The condition of America differs widely from England. Wages are higher, both really and nominally in the former. In the latter the largest class consume the least, and are but humble customers to trade. On the contrary, in America there are no retired rich class, with large incomes derived from sources not immediately dependent on trade. No one has large income but what arises from the immediate employment of capital. The wages of labor and its employment thus co-operate and participate in the extending enterprises of the rich. It is a state of transition. When it is established, wages will recede to the level which prevail where competition increases with population.

Goods are cheap in old countries because wages are low, and trade is limited because goods are cheap. Money is comparatively abundant in such communities

because enterprises are few, absorbing neither the savings of the merchant nor the labors of the workmen. Gold flows from this country to Europe, leaving enterprises to stagnate from its absence, while it stagnates in the banks of Britain and France, from the absence of enterprises to employ it, or it has to be re-exported for investment.

Every man who accumulates a few hundred dollars in America, places it in business or property, in which he secures probably four times as much more credit. No amount of gold which could be produced would sustain these multiplying operations. The great majority who venture, hoping to share in the enjoyment of property, find it impossible to prosecute their plans. They ultimately relinquish with loss the projects which seemed so propitious. Eventually the greater part passes into the hands of the few, whose overwhelming opulence will yet surpass anything history has recorded.

Commercially America is a buyer, Europe a seller. The balance of imports annually require the entire product of gold bullion, together with the sale of large amounts of railway stock, to adjust them. This vast and increasing demand from so young a nation does not arise from the quantity of gold held or circulated, but from the immense banking accommodation in the respective states of the Union. With less than one-tenth of the capital of Great Britain, and with scarcely one-half the foreign trade, there is discounted to her trading population *bank notes*, bearing a denomination to the amount of one-fourth more value than the entire *notes* of Great Britain and Ireland. She relieves, through this special immunity, the glutted markets of Europe. Absorbing, without difficulty, the glut of its population, and by her numerous enterprises, opens the most profitable and secure investment for the capital which otherwise accumulates and gluts the channels of European finance. In round numbers,

Bank circulation in Great Britain and Ireland, £30,000.000
Bank circulation in the United States, ... £40,000,000

Equal population in both countries.

To what extent the vacuum of money had been carried throughout commerce previous to the recent discovery

of gold, may be estimated from the additions which have been made to general circulation, and which has been absorbed without an actual depression of its value. The laws of nature are irreversable. If states repress and circumscribe the value of a product which they have made the special organ of interchange, of enumerating value, and of discharging debt, the condition of their people must be debased to a degree perilous to authority, and requiring a severity in the exercise of power repugnant to the spirit of the age.

Such an abundance of gold as would cause its depreciation would reduce it to the same relative proportion it naturally bears to the agregates of all other property. Fixed property would bear higher rents, products of exchange a higher price, and therefore the metals diminished in value would sink in their capacity as money in the same degree. A depreciation of one-half the value of gold would be equal to the destruction of one-half the quantity in circulation. While in raising wages universally to a higher standard of denomination, it would in the same degree reduce the value of the gold mines, and thus limit its production. A mine now producing one million pennyweights of gold, produces an equivalent of one million bushels of wheat. Should the gold depreciate so as to raise wheat to two pennyweights of gold per bushel, the mines would lose half their value. Wages would maximise in every other product, but in the commodity of gold wages would minimise. Both labor and capital will, in such event, abandon to a considerable degree the enterprise of gold mining. The product of gold will thus be arrested when it has become the more necessary to sustain the enlarged prices which its depreciation had produced, and the enlarged operations of industry which its comparative abundance had superinduced in its transition from a high value to a lower.

If an ounce weight of gold exchanged for a ton of Pig iron, were to sink one-half in value, two ounces would be required to exchange a ton of iron. The disproportion of gold to perform the office of money would not be changed, nor the numerical capacity of the metal multiplied. Such an event would, however, reduce all debts one-half as it would double the income of the producers,

who are the debtors, and proportionately raise prices to the consumers.

The flood of precious metal which poured into the channels of European trade, after the intercourse with America was opened, unlocked the energies of commerce in every civilized community. Obviously some obtained a greater share than others, from their maritime position. Britain probably gained the most. Her insulated and maratime advantages, combined with her immemorial statute provisions against the exportation or melting of coin, gave her equal means to acquire and a greater security for the retainment of her coinage than any other country. What was not sufficient for the industry of all, gave to that nation which had the greatest share, proportionately greater facilities in her productive efforts, and a larger expansion of trade.

The multiplying increase of gold and silver in England, by stimulating labor, called forth her resources, and thus augmented the power to retain their immunity for longer periods than other nations. These temporary advantages raised the commerce and gave to Britain a degree of permanent superiority which has rendered her, as a state, the most powerful in financial resources, though the condition of her people has not advanced with the capabilities of the nation.

The maximum supply of metals from America had however, not been attained in the early part of the 17th century, when commercial difficulties again presented themselves. Money became scarce. Men had entered the pursuits of trade when it was profitable. Multitudes left the rural districts where labor was over-abundant, and congregated in cities where trade offered sufficient employment, better wages, and the prospect of position. Products multiplied—money did not. There were more sellers than buyers. Underselling and cheapening competed and subdivided the inadequate circulation. The remedy aggravated the disease. Everything was reduced to stagnation and depression. There is no stationary maximum for population or property. Hence, before the precious metals have reached their maximum supply, the irregularity in the circulation, and scarcity of coin become manifest in trade, though the lowest point of depreciation may not have been touched.

We may judge what a state of depression followed immediately upon the great prosperity which prevailed during the reign of Elizabeth, from the letters addressed in 1610 to her successor, by the writer previously quoted. "It being apparent," says Raleigh, "that no three kingdomes in Christendome can compare with your Majesty for support of traffic and continual employment of your people within themselves, having so many great means, both by sea and land to enrich your coffers, multiply your money, enlarge your traffic, make your kingdome powerful, and your people rich. Yet, through want of employment they are poor, many of your land and coast towns are much ruinated, and your kingdome in need of coyn." The highest average price of grain was not reached till between 1630 and 1640. Gold and silver were depreciating, therefore, at the period when Sir Walter wrote.

Coin distributes itself into many millions of hands, and is unavailable in large quantities for the purpose of mercantile dealing. The merchants were, therefore, driven to employ extensively the use and aid of *credit* to enable them to carry out their trading enterprise. Their obligations frequently became due before they had vended the goods thus purchased. The merchant was then impeached with over-trading. Sir Walter in his day thought the merchants blameable, and charged this to their imprudence. It is impossible to describe the thousand causes which are continually arising to defeat the most judicious calculations in commercial life. We cannot, however, be much astonished at such opinions, when economical science was so little understood, and especially when Dr. Smith falls into the same error.

No one will give goods on credit when they can get ready money. If ready money is not attainable, it is the necessity, not the choice of the manufacturer to urge the merchant to take his products on credit. Should the merchant refuse to accept them on credit, then the business of production stops, or is greatly limited. Commerce is sustained by credit. The merchant in turn sells on credit, and trading imperceptibly advances from simple exchange to that of commercial record. *Credit becomes the base as well as the superstructure.* Society rests upon its strength, the subsistence of the

community is drawn from its expansion—the progress of civilization treads in its footsteps.

There is no relative supply of the precious metals to the progressive capacity of general production. Credit fills in some degree the vacuum. The metals are at all times accidental in their supply, and never so abundant as to facilitate the operations of industry for any great period. The demand for them as articles of luxury augments with civilization—their supply on the contrary, invariably decreases by the law of natural exhaustion. Whenever the accidental supply of gold and silver has increased temporally with the productive capabilities of nations, the progress of wealth has advanced with marvellous rapidity.

The only correct means to estimate the sufficiency or insufficiency of gold and silver to exchange and distribute national wealth, is the readiness or difficulty of commanding a market for commodities offered for sale. If the wealth of a nation has multiplied to such an extent that the deficiency of general demand is continually causing reductions of price, it is then evident that the ratio of wealth has exceeded the ratio of money. A deficiency of money operates first by reducing demand, reduced demand acts upon the value of commodities and reduces prices to the lowest value at which they can be produced. As, however, prices cannot be indefinitely reduced, the fixed costs in production preventing a farmer or manufacturer producing below a given point, when prices have been reduced to that standard, the definite quantity of money will be able only to exchange the definite quantity of commodities. Production is then limited to that quantity. *The supreme law of industrial progress at this stage of civilization is inverted, demand determines and regulates supply, instead of supply regulating demand.* The employment both of capital and labor is necessarily reduced, to supply produce according to this limited measure of trade. Aggregate production is diminished to the aggregate of money. Employment is reduced to represent money instead of money being increased to represent capital and industry. Competition commences with reduced demand, and increases in intensity with the progress of population.

CHAP. VIII.

EFFECTS OF RAISING THE WEIGHT OF COIN—POLITICAL AND SOCIAL CONSEQUENCES.

History presents no instance in which a great community has preserved the original weight of coin. The prosecution of an unavoidable war, or the bankruptcy of the public exchequer, arising from the failure of taxes, may have impelled the modifications. Financial obstacles are not less incident to peace than war. There is no government in Europe which has not felt great difficulty in raising revenue for the ordinary purposes of the state, within the last forty years of peace. Population has largely multiplied during that period, from whose industry revenue is derived, mechanical inventions have rendered their capacities fifty-fold more productive—capital has accumulated to facilitate re-production, yet with all these additional elements, both of individual and of national resource, rulers have been driven to the last alternatives of finance to meet the public expenditure. In former times, when the means of communities were comparatively scanty, we may easily infer the difficulty to collect revenue, and the urgency of such measures as reducing the weight of coin to supply the deficiency.

Till recent, the British government has frequently been compelled to cover the annual deficit by the extensive issue of exchequer bills. These bills are redeemable debts, bearing three half-pence per day for *one hundred pounds* sterling. It has also sought to reduce expenditure by such impolitic measures as the abridgement of the pensions of the common soldiers, and neglecting to make the requisite expenditures to keep the army and navy in that efficiency which would render the nation safe either in a war of defence or of urgent policy. France has added largely to her national debt to meet the financial requirements of the state. Austria has become bankrupt. Russia had considerably increased her debt previous to the late war- Spain has been incapable of meeting even the interest of her public liabilities.

These financial embarrassments, however, lie deeper than the necessities of states. What the people have not sufficiently for the ordinary purposes of trade it is difficult for government to extract for purposes of a more remote nature, though not less essential to the security of their industrial efforts. If men have not money to meet their business wants—if borrowing—giving and receiving credit—hourly devising how to obtain or give accommodation—how payments of bills coming due can be made—how to raise money to pay wages, all of which urgencies are immediate to their existence—if these naturally precede even private expenditure, it is clear that all articles bearing or sustaining taxation will be evaded, and their consumption diminished to the lowest point, equally from motives of prudence and necessity.

As modern enterprise and commerce has so little supplied nations with the necessary gold and silver for the requirements of industry and revenue, few will fail to understand what must have been the pecuniary difficulties of trade, and the financial embarrassments of ancient Chrisian nations when these metals were so rare. Upwards of thirty alterations had been made in the British coinage inclusive from the reign of Edward I. (1272) till the reign of Elizabeth. The pound sterling having been reduced from twelve ounces troy, to four ounces—the weight at which it now circulates.

During the reign of Charles II, government resorted to the clumsy process of clipping the coin. This unstatesmanlike practice was continued throughout the reign of his successor, James II. According to Lowdnes, the silver coin was reduced one-fourth in legal weight. Prices had not advanced perceptibly. Grain averaged, from 1600 to 1650, 66 pence per bushel. From 1650 to 1700 it averaged 68 pence per bushel. So small an addition to the price might be ascribed with much reason to the troubled condition of the country, rather than to the lightness of the current coin. A dynasty had been twice displaced amid civil war during the latter period. The consequent interruption to industry probably operated on the price more than the coin.

The *treasury* accepting this clipped coin in payment for revenue, rendered it legal money. One-fourth taken from the statutory weight of coin would add numerically

that amount to the current circulation. If *six millions sterling* of silver was made current in *eight millions sterling*, without producing any additional price, the quantity of value exchanged must have been increased in this proportion. Industry would be encouraged inversely as trade was facilitated Abstract and positive law evidently conflict. Intrinsic value in silver or gold does not, it would seem, diminish with the reduction of weight. These metals circulate above and below their values, since they operate upon aggregates, reducing demand instead of price in some cases, and in others multiplying demand instead of prices.

For instance, one thousand ounces of gold, at four pounds sterling, may be current in exchange for one thousand bales of wool. The cost of production may require one ounce of gold to compensate the producer. Now the quantity might be increased to one thousand five hundred bales of wool. The additional quantity offered for sale would require an additional quantity of gold to buy it. This additional quantity being the index of an increase of rural population, would equally indicate an increase of city population who are wool consumers. If the gold is not forthcoming the wool producers prudently regulate the stock and labor under their direction to the law of demand. The quantity that can be sold is the quantity produced. A surplus city population increases inversely with the glut of rural population. The vacuum of money to exchange produces a proportionate vacuum of employment distributed through every branch.

Under such a condition of trade, where the power to produce is restrained, and the wants of men unsatisfied, if the ounce of gold was coined into *six pounds sterling*, money would be numerically increased to the numerical capacity of production. Industry would be called forth to multiply production to the demand. Coin would exchange upon its *denomination*, affording the same compensation in each sale, and a much larger compensation upon the aggregate. The intrinsic value being determined by the relative value, it becomes a matter of enquiry whether the natural value of any commodity can be ascertained which is under the action of statute law.

The true value of gold is evidently subject to great

modification in its capacity of money. A judicious reduction of weight, when industry is interrupted by the scarcity of coin, increases the riches of the commonwealth, and enables the community to contribute, without oppression, ample taxes to the state, either under direct imposts or through a larger consumption of articles bearing taxation. To pursue an opposite policy is not less destructive of the public interest than it is of the public revenues.

When William, Prince of Orange, undertook to restore the coinage to its traditional legal weight, the accomplishment of this absurd measure was followed by consequences which involved his government in the most serious embarrassment throughout his reign. Raising the weight of the current and mutilated silver coin from *ninepence to twelvepence sterling* practically reduced the current circulation one fourth. Assuming the current money of the kingdom to be *ten millions sterling* this measure would reduce the amount to *eight millions sterling.*

The re-coinage was carried into execution about 1690. Grain sunk to an average of 53 pence sterling per bushel, from 1700 to 1750. It continued to suffer the depression so severely that it sunk to 48 pence sterling per bushel, on average, from 1730 to 1750. These results took place notwithstanding a large emission of bank paper legalized concurrently, together with special statutes to sustain the price of grain.

Certainly no man ever ascended to regal power under more auspicious circumstances, or by more legitimate means, and no prince ever conducted himself with more prudence or deferential respect to the sentiments of a great people than William of the House of Nassau. This ill advised financial experiment, however, touching the coin almost cost him the prize of his ambition, the throne of England. The throne shook beneath its new occupant. His tremulous hand grasped a sceptre no longer the instrument of power, but the emblem of constitutional submission. The highest aspiration of human instinct is the investiture of supreme power for great services to a great people. Those principles of religion, which gave an exalted renown to his valor, clothed him, in a degree, with the merits of Crom-

well, while his rank and marriage claimed especial consideration amongst the established families of two great nations, sustained with a powerful section of a third.

Monarchy, in his person, became the type of national unity and power. He recognized the great idea of constitutional government, and accepted the restraints of lawful authority without the relinquishment of royal dignity. The political and moral elements of the age were settled in the public mind. His measures, as a statesman, were a different matter Every one was to profit or suffer by his policy. In touching the currency his advisers violated, what ought to have been conserved. Respect to his sagacity, and gratitude to his religious fidelity, combined with the vicissitudes through which the country had passed suppressed the murmurs of the people, and probably saved the nation from another revolution.

To what extent the industry of the nation suffered by the re-coinage and increased weight of money may be judged from the circumstance, that year after year the public revenue declined, notwithstanding the imposition of several additional taxes. A foreign prince was loudly denounced. One measure alone could save the new dynasty, which was to borrow money in such amounts as would carry it through an indefinite financial crisis. The goldsmiths of London had for a long period circulated *notes* upon their personal credit, amounting, it is said, to several millions sterling. This species of financial accommodation had attracted the attention of the new sovereign, and negociations were opened with the goldsmiths for aid to the treasury. These conferences terminated in a *loan* and a *bank charter* incorporating the goldsmiths. Such was the concurrent institution of the *Bank of England* and the *national debt*, in 1694.

From 1695 to 1700 no less than seven *acts* of parliament were passed to secure the necessary revenues without rasing the required amount. Some taxes were increased, some modified and again re-enacted, new taxes were added and abandoned. Personal estate was raised from 24 shillings per £100 to 25 shillings, poll and wages tax were added, other taxes retained at former rates.

Revenue produced at 24 shillings per £100 on personal estate, and 4 shillings in the rental of real estate per £1....in 1692		£1,923,712
do....in 1693		1,913,488
do....in 1694		1,860,039
do....in 1695		1,736,248
4 shillings in the £1 real estate—25 shillings per £100 personal estate, with poll and wages tax........in 1696		1,663,434
Deficit in 1696 against 1692	£259,278	
Deficit in five years revenue	£520,644	
The effect upon excise and custom returns was probably as great.		
In 1697 the government found it necessary to reduce the taxes, both on real and personal estate, notwithstanding the increasing deficit. Revenue then sunk to	£1,484,015	
The oppressed condition of the country seems to have required a further modification of taxes, and we find that the revenue produced in 1699 from the sources specified, was only	£989,965	

Anne, who succeeded William in 1702, taxed the salaries of public officers, and raised several taxes which had been greatly modified. Yet the amount raised in 1712, upwards of twenty years after raising the weight of the coin, did not much exceed the revenue of 1692.

The decline in the price of wheat, taken as an index of decline in the price of manufactures, must have operated with corresponding severity upon the interest of trade. To sustain the price of grain a bounty was given to encourage exportation whenever it sunk to a certain price. It did not, however, protect the interests of agriculture against the operation of the new coinage—as we find the price of grain continued to descend for sixty years after the coin was raised. Between 1730 and 1750 grain sunk to an average of 4 shillings sterling per bushel, against the average of 5s. 8d. in the preceding century. Commerce profited ultimately by the measure. After a series of years the pressure operating to debase the land and its products, as also the products of art, cheapened the means of living and gave to manufacturers a degree of power to produce at prices which tended to increase the foreign trade.

Low prices depressed the condition of the agri-

cultural classes, but it tended to compensate the depressed manufacturers. The emission of bank paper also contributed to facilitate the enterprises of trade, and hence we find, from 1710, a gradual increase of public revenues from customs and excise. Public expenditure, however, seems still to have exceeded the annual returns while the seductive facilities of borrowing continued to multiply the public debt. The social condition of the people, after a long period of depression and misery, resumed its former state of progress, through that energy, enterprise and genius in the national character, which even the folly of her statesmen was incapable of destroying.

The disastrous effects of raising the weight of coin when public debt was unknown and public revenue did not much exceed *four millions sterling*, would, however, lead us to form but a faint estimate of the consequences which accompanied a similar measure in 1817, when the annual revenue required was *fifty millions sterling*, and the public debt amounted to nearly *one thousand millions sterling.* The current pound *sterling*, was raised one-third in value by statute—the measure being urged upon the ground of sustaining faith with the national creditors.

It is impossible to describe the ruin or compute the injustice inflicted upon the nation to accomplish so theoretical a measure. From 1797 to 1817 the public liabilities of the country had augmented *five hundred millions sterling*, while the private liabilities of the community must have greatly exceeded this sum. Prices sunk in a far greater proportion than money was raised. Wheat was reduced from ten shillings per bushel to five shillings. manufactures were reduced fifty, sixty and in some articles seventy per cent upon the prices current during the war. The nobility, in 1819, passed a law specially to protect the price of grain, and to counteract the statute they had passed raising the coin to its traditional weight—the effects of which they thus blindly sought to remedy.

Political disorder, insurrection, and conspiracy accompanied the commercial depression consequent upon the financial act Twelve years after the adoption of this measure the throne and nobility were constrained to relinquish the sovereign power of the realm, at the

demand of a popular combination, unequalled in the history of nations. The distinguished leader of this movement, Thomas Attwood, had employed every means to dissuade the British ministers against increasing the value of the money current, for so long and so critical a period, but finding his efforts fruitless, he appealed to the nation. Neither the aristocracy nor the mercantile classes seemed to comprehend the nature and effect of these financial measures. The political revolution did not, therefore, ameliorate the condition of trade, nor mitigate the miseries of the people. No one appeared, in the new Parliament, to deal with so complicated and important a subject.

Commercial convulsion, depression, and speculation had alternately aroused and prostrated the energies of the nation. Two-thirds of the entire farmers of England and Scotland were reduced to ruin and abandoned their farms. From 1817 to 1850 the farming enterprise of the country passed into the hands of one-third the number of occupants. These were men of capital who had withstood the shocks of depression, to whom the landlords transferred the small farms at even lower prices than were paid by the former tenants. The labor of the peasantry diminished proportionately, while the productiveness of the soil must have been retarded to an extent now incomputable. Ireland having less capital to fall back upon, sunk instantly under the prostration of prices and the deprivation of markets for her produce. Her oppressed population, thrown from employment consumed instead of multiplying their limited accumulations. Famine and indolence dominated the land.

In England both trade and agriculture were not less sacrificed. Deficient employment rendered the poor-rates a constantly augmenting tax upon the tradesmen. Private income was declining with the diminishing prices of goods. Taxes were changed and repealed to silence the murmurs of the people. A short experiment necessitated their re-imposition. The right of the destitute to public relief was abrogated. The religious and civil polity of the country were revoked, and those who were without employment or property were deprived all title to life. Whenever a tax was raised consumption diminished proportionately. Population multiplied not-

withstanding, and each experiment in legislation appeared to urge the attempt at a new one.

Goods were thrown periodically into the markets of the world in such masses, and at prices so ruinously low, that bankruptcy at home, and ruin to the struggling manufacturers of foreign nations combined to render the raising of the weight of money, in a nation exercising the first commercial power, a source of injustice and depression throughout civilization, not less than amongst her own people.

From this financial cause the British peerage have frequently submitted to popular demands which foreshadowed their ruin. As a co-ordinate power in the constitution their authority is gone. For a time the complaints of the people have been suppressed by their comparative prosperity. The influx of gold has repealed the fatal statute which spread moral and physical devastation throughout the British Isles. Economical science will probably prevent the recurrence of that special cause which has obstructed the progress of industry in all ages, and which legislators have in so many instances greatly aggravated by their presumption and incapacity.

CHAP. IX.

DISTINCTION OF MONEY AS AN INSTRUMENT OF DEBT—AND AN INSTRUMENT OF EXCHANGE.

If it is correct that governments ought not to interfere with trade by *coining money*, or *fixing* the *price* of the *precious metals*, then all laws relating to usury—penalties and personal degradation for debt—are equally unwarranted. Even the reclamation of debts where the means to satisfy the claims are abundant, would be better left in the hands of the citizen, than in the authority of law. Large sums of money or merchandise would be advanced upon undoubted securities, while limited amounts of both would be advanced with equal safety, where industry, character and ability were the only securities of the creditors.

The borrowing of money, or the obtainment of goods on credit, are voluntary and mutual transactions. So far from being wrong, either in themselves or sequentially, they are the essential processes by which industry replaces the exhausted resources of society. They are not less the means of individual subsistence, than they are the indispensable agency through which the existence of nations are preserved, and civilization advanced. How, therefore, states have erected such acts into crimes, which have brought upon the most valuable members of the community the severest penalties which human authority could inflict, it would be difficult to find an apology, much less a defence.

A man who has money to lend, and lives by such business, contributes little to the general riches of the commonwealth. On the contrary, his income has generally been a tax upon the industry of others. The borrower is never accommodated but upon ample security, or strong confidence in his morality and means. If the high rate of interest, or the depressed condition of trade, or both, so diminish his resources that it should happen he cannot pay, these misfortunes combined with his inability to obtain further loans or credits, are penalties greater than the most exact justice would impose.

The lenders suffer nothing in the vicissitudes of civilized life compared with the losses of the merchants and trading classes. Besides, the general security in the transactions of money discounters, amply compensate for the rare defalcations of their customers. Between the merchandisers there is relatively to the financial credit extended both by private and banking accommodations, fifty-fold the credit exchanged, with no other guarantee frequently, than reputation. The history of debt is a record of legal violence against the subject, which the moral calamities and political consequences of war would scarcely parallel.

Law apparently ought not to interpose between the debtor and creditor. Penalties and disabilities inflicted by authority do not serve the ends of justice nor retrieve loss, since restitution of property cannot be made when the debtor has adventured without success, or may have lost considerably what he had credited in the common course of business. It may gratify revenge—

the passion of all others which human law is instituted to repress.

In Britain, France and the United States, laws relating to debtors, are becoming less and less operative, if not obsolete. Experience is teaching men engaged in business, that a mutual settlement of liabilities in all cases is invariably the most advantageous to the creditors, while the usefulness of the debtor is preserved to his family and society. Dishonesty may occasionally be practised, but such a commodity is always in the commercial market, and it behoves the sharp-witted tradesman to avoid dealings in so unprofitable a product. The vigilance of a prudent merchant is, however, more effective against fraud than the most cunningly devised and stringently executed legislative provisions. And those who set aside the power or interference of law in the difficulties which arise to intercept their progress in business are generally the most judicious. It is to be presumed they incur the least loss of all others who prefer compromise to reclamation, thus circumventing the cupidity and and dispensing with the costly services of lawyers. Unnecessary loss on the one hand, and oppression on the other, are equally avoided.

The amount of debt current among the members of a community is great or limited according to the wealth and rescources they possess. The larger the capital and trade the greater the current debt, There is a greater requirement for money and a greater means of commanding it by a wealthy people. The amount of money actually required cannot, however be commanded, even by the richest communities, under the present laws which prevail in civilized nations. Extreme riches, the most intense competition the lowest social condition, the largest amount of bankruptcy, occur where the accumulation of capital and the productive capacity of a people have attained the highest conditions. The disproportion between the power to produce and the power to exchange is wider, under such circumstances, since the revenues of property are debts which must be satisfied before the wages of industry are distributed.

Thus the permanent debt of Great Britain cannot fall short of 6,000 *millions sterling.* The annual interest, at three per cent would require 200 *millions sterling.* If rent

and taxes are payable quarterly, 50 *millions sterling* of money is thus requisite to discharge these obligations before the incomes of the productive classes are considered. Should the quantity of money current be deficient to meet equitably and amply the reward of the whole, then industry must suffer, as its employment and wages are conditional, while the demand of the government, the landholder, and the mortgagee are legal, imperative and unconditional.

It is probable that the annual value of the wealth produced in the United Kingdom did not exceed 300 *millions sterling* from 1820 to 1850. Two-thirds of the total product, therefore, is required to pay the fixed interests of the nation. One-third only being distributed amongst the millions for subsistence, comforts and refinements. The bank circulation through that period had not exceeded 30 *millions sterling.* Throwing gold out of the calculation, as it will not alter the principle, the proportion of bank money being to debt 30 to 6,000, is £1 to £200 of debt. The proportion of bank money to annual production being 30 millions to 300 millions sterling is £1 of money to £10 of exchangeable productions. Debt thus absorbs two-thirds of the national resources.

In the process of production and exchange, should this amount of wealth be transferred and circulated twenty times it would make the monetary and industrial transactions of the country 6.000 millions sterling. The disproportion of bank money to the circulative wants of commerce would be £1 of money to £200 of transactions. As this would not perform one exchange of the twenty required, *bills of credit* are multiplied to make up the the vast deficiency. The circulation of bills of credit per annum from the stamp office returns, bear nearly 600 millions sterling. The transference of these bills cover the entire volume of exchanges. On this calculation there are 20 millions of transactions and payments per day for three hundred days in each year. Twenty millions of debt, therefore, originates and matures daily.

It is easy to contemplate from these calculations what must be the effect of the slightest reverse action in this vast machine. Twenty-eight millions of human beings hang for subsistence upon its hourly motion onward. So exact are all its parts, that the smallest additional

weight placed upon the value of money, which is its moving power, and every motion collapses. The strong and the weak are crushed in one common ruin.

Money, it appears evident, bears a far greater disproportion to the value of accumulated property than to the value of annual production. Its legal requirements as an instrument of debt, exceed in amount and precedes its requirements as an instrument of trade and industry. Rent and taxation must be met, though half the population of a country go unemployed. If the margin of money beyond the fixed obligation of a nation can absorb the industry of the people they will be employed. The number absorbed will depend upon the money available for the discharge of debt and the work of production. Money, in its capacity as an instrument of distribution, inexorably transfers the full denomination of legal liability, thus revoking the claims of equity, and becoming the source of indescribable wrong.

The annual production of Great Britain has within a few years, greatly augmented by the influx of specie. It is now, probably, increased 100 millions sterling. The fixed claims upon the national resources being still 200 millions sterling will leave a margin of an equal amount for distribution amongst the producing classes. According to the latest returns the export trade has risen from 50 millions sterling annually to 100 millions sterling. This would make the foreign trade absorb twice the former amount of labor, yielding twice the wages and profits to the efforts of industry.

The immense revenue drawn from British industry, and which ought to have been added to the producers prices, has been extracted out of them. Prices have been debased by statute, as well as cheapened by new methods of production. *Ten per cent* of cheapness in the process of manufacture has been accompanied with *ten per cent* of statutory debasement or depreciation. Every improvement of method, which multiplied production, concurrently suffered a proportionate depression under the action of the *law.* With her vast products Great Britain now commands the largest participation of the precious metal circulating in the republic of commerce. Her industrious people having suffered for many years the oppression of debts doubled by legis-

lation—the change in the standard of value likely to occur will reverse the effects so produced, and confer the first advantages of such a revolution upon their interests.

The influx of gold now flowing into her channels of trade will possibly operate against the interests of the creditors. Her multiplying population, and the foreign investments of her capitalists yet absorb the stream and prevent such an internal suffusion as would act upon the price of labor and thus raise the price of her manufactures. Before long a depreciation of gold will, in all probability take place. England, from her commercial position, will naturally feel the first influence of the change. The social condition of her people will be temporarily relieved by raising the denomination of prices and diminishing proportionately all revenues drawn from their industry. That class of creditors whose annuities are limited, providing only the means of moderate respectability or subsistence will suffer in the same degree that the humbler manufacturers and operatives suffered under the *act*, depreciating products.

A contingency of even greater importance would eventuate. Should the prices of British manufactures rise, other nations will compete with her more than successfully, who have hitherto resorted to heavy tariffs to protect their manufacturing efforts against her power of capital, but especially against the debased prices of her fabrics. These tariffs will operate, under such circumstances, almost as an exclusion, while it will strengthen the domestic prices of France and America, giving to their manufacturing capacities a greater power of accumulation, and more exclusive control of markets which the policy of England has rendered necessary to the employment of her people.

No one, who has given consideration to the subject of finance but must contemplate, with some degree of apprehension, the consequences which may arise by the annual addition of 20 *millions sterling* to the supply of gold. At present it appears to be absorbed more rapidly than it can be produced, if we are to judge from the embarrassments of the banks, both in Europe and America. These are, however, no data on which an opinion can be correctly formed. The improvement in the condition of civilized communites has given to the great majority the

means to reserve a few pieces of gold, and the millions thus absorbed from circulation cannot be computed. For a series of years this will continue and conceal the actual condition of finances. As communities acquire confidence they will seek to use the gold now being absorbed, to gain profit by investing it in such classes of property as may seem most secure. It will then be thrown in masses into circulation, and the depreciation will take place with the same sudden effect, as invariably occurs, where an over investment of capital in a special enterprise augments the nominal value of the stock.

In this case the gold so held locked, will operate upon aggregates, and once put into circulation it will not return to private hands until it has been absorbed in the higher price of products and property. Capitalists will obtain command and possession of the savings of the multitudes and will employ it to sustain aggregate value to the point it may ascend. What is not not now used for the purposes of trade will pass, in such a case, into the banks where it will become a glut, or if discounted operate inevitably upon produce, by its own depression. In the reign of Elizabeth the standard value of produce and estate was raised in this sudden manner. A *quarter* (eight bushels) of grain rose from 25 pennyweights of silver to 160 pennyweights.

CHAPTER X.

CIRCULATION OF MONEY REGULATED BY DETERMINATE LAWS.

Upon equal inclines the greater the volume of gravity the more rapid the velocity. So in the case of money, the larger the volume of quantity the more rapid the circulation. Some have thought, like Lord Liverpool, that if there were less money amongst a people it would circulate with greater activity, and thus serve the requirements of trade as well as a larger amount. On this principle a ship laden with oranges could be as quickly discharged with one basket as with ten. If there is only one *pound* or one *dollar* amongst ten producers who interchange with each other, nine must always

be without money. The one who is the holder to-day may not see a fair investment, or feel so much urgency to expend as the nine others. His delay will deprive some of profits, others of what is most requisite to their wants. Each day, in such a case, will bring its embarrasments, delays, and losses to the greater number.

This will apply to every civilized community, however large or limited. In every condition of progress, from the rudest efforts of agriculture to the highest state of productive and commercial enterprise, the same principle prevails. Facilities are gain, obstructions are loss. A scarcity of money reduces numerical exchange, and obstructs circulation definitely to the deficit. An ample accommodation of money facilitates exchange, and indefinitely multiplies circulation. The cost of exchange is reduced by the increased transactions. Industry is stimulated by the increased demand. The sources of public wealth are enlarged, cheaper exchange and additional production.

If one hundred merchants, each require one thousand *pounds* or *dollars* of accommodation on the same day from a bank, when only-half that amount is in its *till*, then each must accept only-half their requirements, or one-half of the number go without, until deposits accumulate to supply their wants. If the deficiency of accommodation is permanent, then each merchant regulates his business accordingly. Business thus limited restrains enterprise. The loss of profits to the merchant represents tenfold the loss to the producers, whose industry is limited to the operations of the merchants. Manufacturers compete to share the inadequate discounts made to the merchant. The merchants compete to obtain retail customers, that reduced profits may be compensated with increased business. The traders compete to share the expenditure of the consumers. The income of each class is reduced by the reduction of prices, and the means to consume is thus generally and periodically diminished through that unhealthy competition which multiplies production to force demand, while it reduces compensation and destroys the power to consume.

If the quantity of money current in a nation is not

equal to the wants of industry and the obligations which industry has permanently to discharge, the oppression upon the producer increases with the increase of numbers. For instance, if out of the *thirty millions sterling* discounted in the United Kingdom of Britain it requires *twenty millions* to meet punctually the recurring demands of rents and taxes, *ten millions sterling* is the the whole margin left for the payment of wages and the profits of trade and commerce. As rent and taxes do not diminish, on the contrary, additional accumulations require additional money to meet their demand and sustain their value, the limited proportion becomes less and less adequate to the necessities of the producing multitudes. The aggregate quantity of money remaining stationary, while populousness is increasing, and the capacity of production is multiplying, the circulation becomes divided and subdivided, leaving each less to expend, and numbers without either employment or means.

Assuming that money has a circulative capacity of 100 times its denomination, 30 millions sterling will circulate 3000 millions of value per annum. If the distributive capacity of 30 millions is 10 times its *denominatory* value, then the distribution of wealth will be 300 millions sterling per annum. Should issues of bank money be raised to 40 millions sterling, then the distributive capacity would become 400 millions sterling. Without deducting from the incomes which are derived from rents, taxes and mortgages, it would double the income of the producing classes.

Every million added to circulation would add one hundred millions to commercial circulation, and ten millions to the income of national industry. The bank circulation of Great Britain amounted to 43 millions sterling in 1815, and the annual value of wealth was then computed by Colquhoun, at £420 millions sterling. Raising the standard, current at that time, from less than three ounces of silver up to four ounces in the *pound* sterling, operated to reduce the bank discounts from 43 millions to 30 millions. The summary of these figures would produce as follows:—

Annual production of wealth in 1815,......	£420,000,000
Circulation of bank money,......	43,000,000

Public and private revenue drawn from industry	200,000,000
Balance to the producers	220,000,000

Annual products in 1840,	£300,000,000
Circulation of bank money,	30,000,000
Public and private revenues drawn from industry	200,000,000
Balance to the trading and operative classes..	100,000,000

Prices raised in 1856 by the operation of gold 10 per cent—increased production consequent 15 per cent—has raised the annual value to	£400,000,000
Public and private revenue,	200,000.000
Balance to the traders and operatives	200,000,000

Foreign exports in 1815, being one-ninth of total production.	£50,000,000
Foreign exports in 1840, being one-sixth of total production.	£50,000,000
Foreign exports in 1856, being one-fourth of total production,	£100,000,000

Hence 43 millions of bank issues reduced to 30 millions, making a reduction of issues and discounts to the amount of 13 millions, arrested the circulation of 1300 millions of products per annum, and destroyed 130 millions sterling of the income of the producing classes. All classes of industry feeling the destructive effects of declining prices, sought to raise the value of manufactures whenever the banks afforded a degree of relief by liberal discountages. Operatives combined to raise wages, manufacturers demanded better prices, the merchant also found in these intermissions of severity, that he had less difficulty to get better prices when the banks were liberal in their accommodations, than to find a market at any price in hard times, yielded to the advances, and profited by the enlarging consumption.

In a currency, part *bank notes* and part specie circulation is most irregular, from the continual expansion and contraction of accommodation. When the banks discount freely business rapidly extends. Trade becomes more remunerative, and the means to meet obligations more abundant. A few years of activity raise large sections of men from a condition of poverty and

distress to a state of affluence and reliability. Circulation of money and of products express co-relative progress and numerical results. Every interchange of produce occasions an equivalent interchange of money.

As the effusion of money spreads throughout the channels of trade, it seems to increase with the accumulation of wealth. It is required to perform the work of exchange with greater rapidity as the demands becomes more urgent and the transactions more numerous. There are more products to circulate and more certainty in the returns, and, therefore more promptitude in the expenditure. Circulation substitutes quantity. Money comes and goes quicker, but every time it returns it bears profit and reward. Abundance of money produces activity in trade—activity stimulates industry—industry multiplies the national riches.

Raise the discounts from three to four per cent., or from four to five per cent., and all those branches of trade where the profits are low become instantly profitless. Wholesale businesses, where the margin does not exceed 2½ or 3 per cent profit upon three month bills, and who can only realise a paying profit with money at 3 per cent, will suffer an actual loss upon every transaction at 4½ and 5 per cent. Orders for goods are immediately reduced concurently with raising the rate of interest. Manufacturers whose profits are also at the lowest point cannot undergo a reduction of price to relieve the wholesale business and to compensate for the rise in the value of money, since it will have increased in cost to them also, and thus add to the cost of production. Wages being also at the lowest point, an attempt to reduce this last element has, in the branches most wanted, been exhausted in previous interruptions.

In the fabrics of cotton, profit and wages having reached their minimum, while the immense production and consumption of the article render it one of the largest mercantile branches of business, both in domestic and foreign trade, hence the first effect of high rates of interest operating with severity on all, depresses in the highest degree those departments where the widest range of manufacturing business is the least capable of withstanding the additional financial taxation. The first class of orders withdrawn by the

wholesale merchants discourages the manufacturers, and labor is immediately reduced, to limit the work of production.

Before the bank money so discounted is withdrawn from the hands of the community the circulation is, therefore, arrested. Raw materials are not purchased in such quantities, or with the usual alacrity. Another department of industry is arrested. Wages having diminished with reduced employment, acts directly and indirectly upon every class of the retailers, who forthwith refuse to make purchases from the wholesale merchants. Whenever the merchants cease to be buyers they soon cease, by the nature of commercial law, to be sellers. Those who have no money cannot buy and those who have cannot employ it.

Every branch of trade sinks into inactivity upon the collapse of one or two leading departments. If the circulation of each unit of money in a healthy condition of business, performs one hundred transactions—raising the rate of interest will diminish its circulative action inversely with the rise. Thirty millions, at 3 per cent. *maximum circulation*, will produce 3,000 millions sterling of business. At 4 per cent a reduced circulation, 2,000 millions sterling of business. At 5 per cent. *minimum circulation* 1,500 millions of business. The business transactions of Great Britain have been computed at ten times the maximum assumed in these calculations. if such is the case it would strengthen the principle here propounded, since it is known positively the amount of money which can be discounted for mercantile and manufacturing industry.

The quantity of wealth producible in all civilized communities, is the law of quantity purchasable by its members. Art and labor have been divided throughout the entire organization to supply each class of wants according to the capacity of production. When labor is interrupted, either from inadequate circulation, or an inadequate quantity of money to circulate and exchange the products in the hands of the several producers, then aggregate demand is beneath supply in the exact proportion that aggregate supply is above demand. Every value produced by one trade will cancel an equal value produced by another, if human wisdom will

supply an instrument of capacity equal to the values producible.

"Money," says "Mr. GRAY, "is demand, labor is supply." It is because a *hat* is not bought that a *pair of shoes* are not sold, or it is because a hat is not sold that a pair of shoes are not bought. It matters not which of the exchanges takes the precedence, the one would cause the demand for the other either way. Multiply this to any extent, the law is equally applicable. A million of hats must be sold before a million pairs of shoes can be bought, and a million yards of broad cloth must be sold before a million bushels of grain can be bought, and so on throughout the whole circle of exchanges. Should, therefore, the quantity of money be equal only to produce as fifty to a hundred, then only fifty pounds worth of goods can be exchanged or sold out of each hundred produced. The quantity of wealth demanded is limited to the quantity of money into which it must be exchanged before the producer can make a demand for other produce.

Demand is, therefore, regulated by public law. What the plough is to the husbandman, money is to the merchant. The one is the instrument of production, the other the instrument of exchange. Land may be abundant, and the soil rich, but the fruits of both are materially denied to him who has no instrument to call forth their riches. So it is with the trader, wealth may be abundant, and the capacity to produce unlimited, but without the instrument of exchange the wealth produced cannot be transferred, distributed and reproduced. Destitution, misery and crime thus multiply amidst the abundant elements of physical and moral wealth.

Without any addition to the current money of a country, business may be largely extended. Enterprises of a new and useful nature, such as railways, frequently call into employment large bodies of laborers. A new demand is created for the consumption of goods, by the expenditure in this new field of employ. The additional demand and consumption of manufactures give a fresh impetus to manufacturing industry. When the manufactories are called into full action, new ones are erected to share the profitable business thus opened. Operative and mechanical labor is set in motion to an extent not

previously equalled. Wages are earned and expended by large numbers who had hitherto been a tax on the public resources. These new streams of trade acting and re-acting upon the middle classes, increase their means of accumulation.

The power to make investments is thus promptly placed in the hands of great numbers, who previously were without money for any purpose beyond their immediate and limited necessities. Those who could formerly accumulate, double their accumulations. The projects which were sufficiently encouraging to set the industrial machine in motion, when trade was in a state of languor and depression, become valuable enterprises, as the greater requirement for their use opens with an enlarged and expanding business.

The savings of the traders flow into the channels of those projects which seem not only legitimate, but most profitable investments. Every branch of industry reciprocates encouragement to another. Activity of circulation in such cases substitutes quantity. Credit multiplies with the extending requirements. Money, circulating with increasing rapidity, appears to augment in abundance. Labor becomes less available than money. The capitalists, realizing by every investment, offer additional rewards to industry, and the operative responds by working over hours. Human energy seems inexhaustible. Every class participate in the riches thus multiplied and multiplying by the swift and skilful hands of national industry.

Enlarged consumption of home products is accompanied with a corresponding increase of foreign products. The demand and consumption by a nation in this advancing condition of prosperity, augment in a greater degree than other nations less active can reciprocate. The greater importations throw the balance of trade against the lusty consumer. *Gold* is required to adjust the foreign exchanges. The banks cannot spare their scanty supply at any time, but especially when their discounts are circulating at the greatest tension. Statute law demands they shall hold gold or withdraw their circulation. The laws of commerce and nature demand the relinquishment of the gold held by the banks. Discounts are raised to discourage enterprise, that con-

sumption may be diminished to secure the re-adjustment of foreign exchange.

The largest mercantile firms are the first sufferers under this financial operation. Orders are withdrawn. Labor is suspended. The enterprises which set the whole energies of the community in action, and which were absorbing the legitimate savings of the capitalist are the first undertakings to be abandoned. New lines of railway, houses, manufactories, machinery, ship-building, all in process of erection and construction are relinquished for the want of those savings which are curtailed by the curtailment of bank accommodation. The banks comply with the law, and the law spreads in its operations general ruin, bankruptcy, and demoralization throughout society.

Merchants who were commended for their energy and enterprise are suddenly reproached as *speculators.* The manufacturer is admonished for his bad judgment in having invested so much in the extension of his premises and increased machinery. The tradesmen are generally reproved for having put their money into buildings instead of preserving it in bank deposits. Now one of two results would take place if the accumulations of business men, during prosperous times, were hoarded in the banks instead of being used in the various undertakings which absorb them in their own business, or others which they judge equally legitimate.

First the banks accumulating numerous deposits would lend the money to large capitalists to carry out the enterprises in which the humbler capitalists would not invest. By absorbing labor to execute the projects which presented the fairest prospect of returns they would monopolize all the great works of the country with the use of capital saved by those who feared to adventure. The general consumption superinduced would cause a corresponding demand upon foreign products exactly the same as if the labor was employed to enrich a million of *investors* instead of a few thousands.

Whenever the balance of trade required the curtailment of discount the collapse of business would drive the numerous depositors to withdraw their savings from the banks, which would be unable to meet their de-

mands until the sums they had loaned could be returned. This, it is obvious, could not be accomplished for some time. The capitalists would also find their stocks depreciated with the decline of business and to sell would be ruin. Both the borrowers and the banks would collapse, and the same ruinous consequences would result, with the difference, that the *stocks*, *buildings*, *manufactories*, and machinery in which the savings of the investors had in the first case been absorbed, would, upon the improvement of business, ultimately regain much of their value, whereas the failure of the banks seldom afford to their depositors, after legal expenses are deducted, a per-centage worth consideration.

Circulation thus expands and contracts to preserve an amount of gold in the *banks* determined by and determining their issues of bank notes. To preserve that amount of gold, *discount* must be limited, and the limits thus fixed limits trade, the limitation of trade determines the limits of employment, and hence the action of the law, which makes gold or silver the basis of national industry operates as if a permanent decree were enforced to reduce the great majority of every civilized nation to social vassalage, misery and demoralization.

Prudence will not conserve the accumulations and riches which the merchant has attained, nor give to the manufacturer affluence, however skilful or frugal, nor secure bread to the operative, whatever may be his character. The aggregate of one commodity, *gold* or *silver*, is the determinator of the aggregate of all other commodities. Deficient in quantity—it is, from the nature of commercial law incapable of relative augmentation, while its circulative qualities are also diminished by its natural scarcity. These extreme fluctuations which are inseparable from the temporary scarcity of any commodity, are multiplied beyond computation in the case of *money*, since they operate not less destructively on the interests of production, than upon those of consumption.

Moreover, gold is always added to the current medium of exchange at great cost. As coin is also non-productive. It is so much capital sunk, merely to circulate other capital. Besides it will only circulate a quantity of wealth proportionate to it own value. No increase to

the numbers engaged in the mining of gold inversely ever takes place. The laws of all nations discourage this distribution of human industry, while the requirements of trade and society necessitate a proportionate increase of gold. *The quantity of value in the product of gold—is determinate and limited—the quantity of value in aggregate production is indeterminate and unlimited*—every day adding to the productiveness of all civilized communities by innumerable causes.

A social condition producing so much unnecessary and unnatural adversity cannot fail to confuse the calculations of the most experienced. The standard of morality, public and private, sinks in defiance of the most heroic sacrifices to sustain an honorable reputation or to command a desirable position. For a considerable period a nation may progress without any additions being made to its circulation. Accumulations will still be made by some. Competition will, however, become more and more intense, while pauperism and defection will spread their blighting influence throughout the commonwealth. In such a state riches and property concentrate into fewer hands. The lower classes of the community arrested in their efforts to advance, or debased by poverty, avoid marriage and thus, in some degree, limit population to the limited dimensions of the declining industrial system.

Ancient communities, employing metallic money only, moved in a circle of advance and decline with remarkable precision. Modern nations, having practically employed the agency of *denominative money* as well as *intrinsic money* have enlarged the area of industry and trade—thus extending the period of decline. Population increases rapidly in a nation during its ascent to power, even though war, under such circumstances, imposes an immense drain upon its members. On the contrary population declines after it has passed the culminating point, though it should become considerably relieved from the sacrifices of war, or altogether freed from such drain by becoming the province of a superior power.

Population has continued to increase in Britain and France amid misery and social declension. Various causes contribute to encourage populousness in modern

communities which did not exist in antiquity. Personal freedom and equality in all the immunities of civil life, prevail now throughout civilization. The humbler classes naturally multiply faster than the wealthy. Those whose destitutive condition superinduce a decline in their offspring are compensated by the increase amongst those who have at least sufficient subsistence to sustain their robust constitutions, strengthened by their robust habits of industry. Social impediments to increase are also mitigated by political provisions in some nations, by economical considerations in others. Sentiments of humanity have become stronger than the arm of govermental authority. Populousness cannot now be diminished by the rude agency of war. Princes or statesmen who cannot substitute wisdom for policy will not long retain their thrones or honors. If the oppressed multitudes cannot construct they can destroy. The elements of revolution, therefore, increase with the progress of numbers under the defective arrangements of the existing political system.

France provides for the reception of infants in public institutions. In Britain a practice has long prevailed amongst the employers, when trade is depressed of placing their workmen upon half or quarter time. By this process of distributing labor, multitudes are still possessed of some means to obtain bread, hence the power of increase remains undisturbed, while the oppressive increase of poor-rates are considerably modified. Authority seems impotent before the multiplying power of the masses. Legislative and economical science unfolding and widening the avenues of employment, can alone command submission, and confer security upon the established interests of society.

Participating in the present prosperity and enjoying greater means of comfort, the people of Europe will become more impatient of poverty upon the recurrence of commercial depression. To rely on the enlarged circulation of the precious metals for the extension of trade is not less fatal to the safety of states, than if a navigator trusted to the drift of a current in bringing his vessel to the point of destination. Should a depreciation take place, the proportional value of the metals to the requirements of trade will be suddenly diminished.

Cheapened in current exchange by their abundance, they will become less profitable in production when their requirement will have been augmented to a degree hithero unknown.

First.—The advanced price of property and products will require a greater quantity to sustain their *new value.* Secondly.—The enlarged mercantile operations, both domestic and foreign will require the continuance and enlargement of the supply ; and, thirdly—the augmenting and multiplying populations throughout the leading civilized communities will require a proportionate increase of coin to compensate their industry and sustain their greater expense of living. Every fraction added to the average value of *commodities* is deducted from the value of *gold* as a *commodity.* Every deduction made upon the value of gold is a deduction made upon the value of the mines from which it is produced. If the production is reduced, the deductions made upon the annual supply will operate to paralyse the efforts of trade and industry, raised upon the force of its abundance.

When grain is cheap it affects only its own price. If wheat, in an abundant year, caused the rise of all manufactures, the farmer would rise the price of grain in subsequent years, even when the crops were comparatively abundant since all that he consumed of clothing, furniture, and implements of husbandry had risen relatively to the price of his produce. On the contrary, the miner cannot raise the price of his gold proportionately to the advanced prices of commodities,since the law of all nations have determined the capacity of this metal in the discharge of debt. In exchange, it may sink in capacity, but cannot rise. A depreciation of its value, therefore, operates to diminish the supply, and when depreciated the *denomination* of all *debts, obligations* and *property* having been raised, no community can relinquish the new standard of prices without relinquishing, in the same degree, their property, augmenting their debts, and increasing their obligations.

Circulative capacity and supply in the commodity of gold are subject to irregularities which no legislation can correct. In a semi-barbarous condition, where laws are feeble and life not less insecure than property, metallic money is indispensable to carry through the limit-

ed transactions of trade. It is also useful in the hands of the merchants of the more civilized nations in their dealings with the less civilized, such as the extending intercourse with the Asiatic and African races; also with the Indian and Esquimaux tribes in various articles, as furs, &c. Many simple articles of manufacture can be employed with equal success. Even the former have considerably supplied the commodity which may be used to traffic with them. But the use of *gold* amongst a people where authority guarantees security, and where intelligence hourly multiplies the agents of production, is an error of modern statesmanship, which inverts the civilized *economy* and renders the elements of human felicity, frequently instrumental of wrong, and always inequitable in their administration.

In every community the circulation of income is one of the most determinate provisions of the social state. Incomes from wages, profits, rents and public salaries are paid at stated times. The custom which prevails in this matter will, probably, not be disturbed for centuries, hence the distribution of income, and its circulation, in all established countries is not less definite than the laws of exchange. Wages are paid weekly, and therefore the income of the operative circulates fifty-two times yearly. From the accommodation of credits the complement of income amongst the trading class is only made up every three months, hence their expenditure circulates but four times yearly. Land proprietors, the more wealthy capitalists, government annuitants and others pay their bills only at the close of each year, and, therefore, their expenditure circulates but once yearly. Wages circulate with great activity. Profits circulate tardily. Rents, dividends, and salaries more so. The frequent expenditures of the working class enable the tradesmen to reciprocate with each other quarterly credits. It is these intermediate spendings which sustain the means of every order of business men to accommodate their richer customers with credits suitable both in amount and extent of time.

Any measure which interrupts and diminishes the discount of money operates only on two classes of income, take any country, say Britain. Should national income be divided as follows: 200 *millions* sterling for fixed an-

nuities from lands and funds—100 *millions* the profits of traders, and 100 *millions* wages. A curtailment of bank discountage, from whatever circumstance, abridges the mercantile operations of the merchants and consequently abridges the employment of labor. No diminution can take place of the incomes secured under legal contract and provisions. The income of the middle and operative classes alone suffer. Limiting discounts ten per cent., and inferentially assuming that employment would only be abridged in that degree, then ten per cent. of aggregate production would be curtailed. This would amount to 40 millions sterling. Dividing the loss between those classes who would be affected, each would sustain a loss of 20 millions in their aggregate income. 200 millions would be reduced to 160 millions of industrial income, while the 200 millions sterling of income of the others would remain undiminished.

In proportion as discounts are abridged, an abridgment of industry and the income of the industrial classes thus proceeds inversely. The continued recurrence of such interruptions to trade, in all commercial nations, is a reproach on civilization, and a wrong inflicted for which no redress can ever be procured. Even the progress of a nation and the means of accumulation depend more upon the regularity of its industrial efforts than the greatness of its productive agencies. New colonies show this vital progress. So long as barter can be practised the interchanges of industry, almost unaided with capital or machinery, advances with such certainty that there are scarcely a member of such a community but accumulates property and acquires competency. Men fly from the seaboard cities of the United States to the western confines, that they may realize a security of employment which the instrumentality of *capital*, *finance* and *science* have yet failed to produce.

Upon the principle that a reduction of discounts abridge national wealth and the income of national industry, the opposite effects would be produced by an enlargement of discount. The resources of a country are determined by the industry and number of its inhabitants. While any portion remain unemployed or partially employed, the public resources are, in that degree and extent neglected. Those who are destitute of

employ, not only contribute nothing to the national wealth but they are a tax upon the means of others. An increase of discounts to the amount required for the permanent employment of a multiplying people would annually enlarge the income of every one engaged in a productive capacity. The gains of the laborer invariably carry with them an equivalent amount to the trading class. Every *pound sterling*, *dollar cr franc* earned in wages contributes an equal amount, at least, to the profits of those who direct the industrial energies of the several communities.

An annual increase of population at the rate of *one-and-a-half* per cent, as in the case of the British Isles, or even at a greater ratio, as in some countries, requires an additional discountage at least in this degree. To depend upon the irregular circulation of coin is perilous to the security of society. To restrain the discount of *notes* upon any theory which conflicts with the multiplying requirements of the people is equally fatal to the public safety. If issues do not increase, credit will multiply to facilitate the operations of capital, and hence the slightest curtailment of bank discount will operate upon the volume of commercial credit proportionately to its magnitude. If 30 millions of bank circulation sustains a circulation of *bills of exchange* to the extent of 1 million to 50 millions, then the total instrumentality of credit will be 1500 millions. Enlarge the volume of credit as 1 to 100, and the bills of exchange drawn for current trade will be 3000 millions. To withdraw 1 million sterling of bank discounts in the first instance, would destroy 50 millions sterling of commercial transactions—2 millions withdrawn would destroy 100 millions of commerce. In the second case, 1 million of circulation withdrawn would reduce credit 100 millions—2 millions withdrawn would reduce it 200 millions, and so on inversely.

What is the capacity of *Bills of Exchange* in performing the functions of money is not easily defined. It is, however, a principle of great importance. Credit matures, according to the term of these bills, generally in three months. Assuming the commercial credit current at 900 millions sterling—this amount in 90 day bills would be totally canceled and an equal credit dur-

ing each 90 days in each year. An equal portion falling due daily would require the use of 10 millions of pounds sterling to cancel each day's liabilities. The amount of current bank issues would thus be totally absorbed every three days, or in one-thirteenth of the period of maturation. To dispense with domestic Bills of Exchange altogether, by substituting bank notes of a *determinate denomination* would probably require an issue equal to one-tenth of current credit. Upon this calculation 90 millions sterling would be required. Bills of exchange are, therefore, now performing the office of lawful money equal to two-thirds the necessary circulation. Thus 10 millions of current credit would be equal to 1 million of bank issue. A standard of issue based upon the laws of value would demonstrate the actual capacity of credit in discharging the functions of money.

Where a system of credit so complex and vast has been raised to sustain the enterprise and industry of a people, it is easy to imagine the precaution which every capitalist must exercise to secure himself against ruin. The withdrawal, of the least amount of circulation by the banks, or even the apprehensionof such, is a menace of bankruptcy. Each merchant limits his business and credit to the possibility of such an occurrence. The labor in the market is demanded only in accordance with the prudent limits of the merchant. Multitudes of unemployed laborers become dependent on charitable provisions. Those who have means emigrate. Others sink into habits of indolence and demoralization. The entire number compete with each other by underselling—the unsuccessful frequently resorting to fraud, and the crafty to every species of debasement to procure bread.

The quantity of coin taken out of circulation by hoarding at one time, may be added at another, as was the case during the *South Sea scheme* in England, and the *Mississippi scheme* in France. The amount of money brought out of hoard was immense. Coin is withdrawn from circulation slowly, and reaching over a great series of years. It is then thrown into current use in large quantities, producing an extraordinary stimulus in commercial enterprise and national industry. Legitimate undertakings do not offer sufficiently extravagant gains to the hoarders, who are generally not less avaricious

than frugal. If, however, there is little wisdom or gain in hoarding, there is less in the manner in which they make an adventure of their savings.

The prosperity of the French people during the reign of Louis Phillippe, afforded largely the means of hoarding. The concurrent evils to trade by a scarcity of coin, contributed, in no small degree, to the depression of industry. Circulation thus limited, the means of employment and subsistence, especially in the cities, were contracted to an extent which rendered discontent and defection so universal, that a single act of indiscretion on the part of the government became the signal of revolution. That event ensued, accompanied with calamities which soon rendered the new form of government less popular than the institution of monarchy. As the hoardings of the people were expended from necessity and thrown into circulation, a general subsidence of the social chaos began to manifest itself. The bank of France, the great financial reservoir, which for a time was drained, gradually received from a million streams of private expenditures the secret and indolent accumulations of coin. Trade slowly resumed its ordinary course. Employment increased with circulation. The new resources of California operated concurrently, inspired commercial confidence, and has continued to sustain the activity of circulation, although the practice of hoarding is carried to an extent now, probably, greater than at any former period.

———o———

CHAPTER XI.

THE ORIGIN OF NOTES—THEIR ADVANTAGES TO COMMERCE DIMINISHED BY GOVERNMENTAL INTERFERENCE. PROGRESS OF BANK ISSUES.

In the early part of the 17th century when intercourse with the continents of America and of Asia was opened the adventurers who returned from voyages to these parts generally brought more or less gold. It was not convenient for the goldsmiths always to purchase the *bullion* thus offered for sale. The goldsmiths of London in the same manner as the bank of Amsterdam,

gave certificates to any one who preferred to deposit treasure in their hands. Their well-known riches and the great danger of transferring so valuable a commodity at that period, naturally suggested a trusteeship so safe and convenient.

These *certificates* or *warrants of demand* for *value* thus deposited, seems to have suggested the still more important advantages of using them in commercial transactions. The convenience, safety and facility with which they performed the functions and office of money multiplied the demand for their accommodation. It is said that several millions of these *certificates*, or rather *warrants*, were circulating in the English capital at the time of the Commonwealth. One thing is evident, that during all the political vicissitudes through which the metropolis passed, there appeared no interruption to its industrial and commercial progress. It seemed, indeed, to suffer less than the provincial cities.

Cromwell raised large revenues without public complaint. No popular disturbances periled his authority. How much the operations of commerce were facilitated with these *new instruments of exchange*, or to what extent employment was multiplied, there is no means of estimating. Yet the increasing population of the capital would indicate, that the inducements of labor were encouraging. *Certificates* first issued upon deposits, soon led to *certificates* issued upon the credit of the *goldsmiths*, whose well known riches were undoubted security. The form was preserved on which they originated, and is still preserved in the form of all bank notes.

A depositor who consigned one hundred ounces, troy, of gold to any of these tradesmen, received a *warrant*, acknowledging the value, and authorising the payment of the amount on the demand of the *holder*.

[FORM.]

London, *May* 1*st*, 1660.

I promise to pay on demand the sum of FOUR HUNDRED POUNDS *sterling*, £400, *to Alexander Wright, or bearer.*

Mathew Orton,
Goldsmith,
Lombard street.

If the deposit was 1000 ounces of silver at 4s. 10½d. per ounce, omitting fractions, which has been invariably done throughout this work, where the principle could be eliminated without—the *order* would be as follows:

City of London, May 1st, 1660.

I promise to pay on demand the sum of TWO HUNDRED and TWO POUNDS *sterling,* £202, *to Alexander Wright or bearer.*

Mathew Orton,
Goldsmith,
Lombard street.

Notes bearing denominations of this, or any other, amount, would relieve the coin, both gold and silver, from the business of exchange. Accumulations of specie in large sums would cease. As these *notes* came into more general use, all transactions of considerable magnitude would be cancelled by their instrumentality. The coin thus relieved from the work of exchange would flow down to the channels of distribution. There would be less difficulty in obtaining coin for the payment of wages and the performance of the innumerable transactions of small denomination. Both the manufacturers and retail tradesmen would thus immediately participate in the facilities acquired by the merchants. Money would become more abundant concurrently with an increase of orders for manufactures. Money multiplied trade, and trade multiplied profit.

Aiding the progress of trade, and multiplying with its requirements, the importance of this new financial element attracted the attention of the British government. To relieve the embarrassments of the public treasury, the goldsmiths were offered terms for a participation in the privileges, which had contributed so much to the interest of commerce. The charter of incorporation granting the legal power to issue *notes* which had hitherto been exercised without interruption under the existing laws, accorded rights which had never been questioned. On the contrary, the charter abridged the private right of issue, and thereby gave a species of governmental security to the notes so issued, as if they were

equivalent to coin. When issued by a private citizen, the solvency and probity of the issuer was a matter of certainty. Whenever the *note* was offered in payment and accepted, the character, responsibility and substance of the *name* it bore were understood. But issued by a company whose only guarantees were a charter, of endorsement by the sovereign that the bank was legal, gave to such institutions the apparent importance of *commercial mints*.

Even the conditions upon which the first charter was granted bearing the title of the Bank of England were in absolute violation of the security of the notes issued. A loan was contracted to be paid to the government from the issue department, not from the deposits or accumulations either of the company itself, or those of its customers. Issues of private notes were discounted to be repaid in three or six months. They were advanced to aid and multiply production. Every additional pound note discounted, increased the demand for labor, and added to the productability of the nation. It represented an accumulation equal to or greater than its denomination.

Notes issued to be loaned to government were not to be repaid. They thus become a record of *funded debt*. Issues so advanced were employed entirely for expenditure and consumption. They were issued to consume and diminish the accumulated wealth of the nation instead of adding to aggregate capital. All issues for mercantile purposes of necessity were borrowed to be paid. What the merchant bought and sold reproduced his investment with profit. Increase of currency was the index of the aggregation of capital. Loans discounted to the government added to circulation, but not to the wealth of the country. They added to prices instead of to produce.

The nature of these *notes* for commercial purposes was entirely revoked by legislative interference. It restricted and abridged the individual right of the most respectable citizens to exercise this immunity with profit to themselves and advantage to the industry of their neighborhood. Instead of a broad distribution of the right to accommodate, it invested a power in corporations whose issues were a species of monopoly, and whose capital

was beyond the public scrutiny. It is the small and numerous discounts made to tradesmen which renders the large absorption of notes practicable without affecting their value. Large discounts operate immediately upon masses of products and occasion a rise of price. Small discounts contribute to the means of production and augments the stock of wealth instead of increasing the price. They swell the volume of *supply* instead of inflating the volume of *price*. They operate to cheapen instead of making dear. They multiply income amongst the frugal instead of encouraging extravagance amongst the fortunate gamblers of commerce. *Fifty* are accommodated with limited discounts in the United States for *one* who can enjoy this privilege in Britain. A similar practice prevailed in Scotland until the British Parliament interfered and enforced that the Scotch banks should hold *Bank of England notes* against their issues.

Government interference was occasioned by the bankruptcy of the *Treasury*. Discounts to the *state* were employed to consume not to multiply, to deduct not to augment the stock of national wealth. *Notes* issued and advanced to the state bearing no intrinsic value, yet represented legally a determinate quantity of gold. These advances were not employed to produce any value or to fabricate any articles by which gold could be procured, or to replaoe the gold which might flow out of the country. Their *denomination* was added to circulation. The current value of the notes separated from the natural value of the coin. They would not circulate together. The nature of *notes* is to sustain current prices and multiply unlimited exchange—the nature of gold or silver *coin* is to degrade current prices and limit exchange. The conflict in the operations of these opposing laws is ruinous to commerce. Oscillation and convulsion become a rule in trade.

Notes issued, therefore, under the tamperings and indulgencies of governments have invariably depreciated. So far from the mercantile classes in Europe causing the debasement of the value ot bank issues, it may be safely asserted that the competition, inseparable from trade and the scrupulous exactness upon which discounts are made, tends always to reduce the price of products rather than diminish the value of money.

Such has been the pressure of government demands upon the bank of England at various periods, that a debt has been contracted amounting to *eleven millions sterling.* This is equal to one-half her present issue. A forced circulation thus made from the issue department would seem to aggravate the injustice of parliamentary interference to raise the value of money—which its own excesses had, in a great measure, specially caused the depreciation.

The banks being compelled by law to give a definite weight of gold or silver on demand to the holder of their notes, have found themselves involved from time to time in responsibilities to the public which they could not meet. Whenever the conventional price of products rose above the natural price, the separation of the value of coin from the *notes* caused a continuous drain of gold from their vaults. Superinducing by their issues a higher range of prices a premium was thus offered to the foreign merchant to bring the products of other countries into the market where prices were high and the demand encouraging. There was no difficulty for the importer to pay, even when there were no bills on 'Change against the nation from which he purchased, as he could carry to *bank* the money he had obtained for his goods, and *demand* gold according to his requirements.

Every note of *one hundred* pounds *sterling* is a *warrant* of demand against the bank for 25 ounces 300 grains of gold, or a *note* of one hundred dollars is a *warrant* of demand against the bank for 85 ounces 450 grains of silver. An advance of 5 per cent on the current price of products by an increased issue of notes is a premium of 5 per cent upon the exportation of gold and silver, as it can command this much greater value in all other countries where no alteration has taken place.

If a nation had no foreign trade the legal equivalency of *coin* and *notes* would produce no inconvenience. Either might discharge the same liabilities, and their commercial equivalency could scarcely be disturbed. But a nation with foreign trade, and especially nations of extensive commerce, cannot indulge in a theory which becomes destructive to their interests both domestic and foreign. There are no *legal equivalents* between nations. *Commercial equivalents* alone rule in the transactions

between countries. The persistency of civilized states enforcing a single *standard* for *foreign* and *domestic* trade, subjects their respective communities to periodical bankruptcy, and interruption of industry. Seasons of unforeseen calamities recur, producing in the misgovernment of human affairs, evils which prudence cannot resist, nor frugality avert, contrasting the wisdom of the Divine Lawgiver, whose blessings are multiplied by the economy and distribution of the elements. Winter comes to the fortunate, a period of repose. The overflowing fulness of summer and autumn munificently fill the farm-yards and granaries with human food. The emporiums of trade teem with clothing and luxury, while the season of storms advances in her cycle, like a lusty and capricious bride laden with the gifts of divine benificence, and bearing the costly presents of thrifty industry to make a jubilee in each returning year. Convulsions in trade reverse the laws of order, and overwhelm society with destitution and ruin amidst the means of limitless abundance.

Although it has been allowed argumentatively that the balance of foreign exchange is thrown from adjustment by the increase of prices consequent upon bank issues, such is not the practical cause. Prices may remain unaffected and yet the balance will become adverse. An enlargement of discounts generally takes place after a season of interruption, multiplying transactions rather than increasing prices. As the demand for labor rises the general means of consumption enlarge. Imports increase to meet the demands of consumption. No rise in domestic products may take place. The *issues* of notes may be absorbed without any manifest alteration of price. Consumption increasing in one nation more rapidly than in another the balance of exchange is thrown against the more prosperous community. Gold is then required for adjustment. If imports increased in price proportionately to the adverse rate of exchange, exports would be encouraged and adjustment would take place without the intervention of measures which operate rather to limit consumption than operate upon prices.

To regulate foreign trade, and control the balance of exchange, the industry of every civilized community is from time to time prostrated, under the laws which now

prevail. These laws seek to administer the principle that *coin* is the *basis* and *medium* of circulation. *Coin*, on the contrary, became a subsidiary medium from the moment that banking issues operated upon the interchanges of foreign commerce. Ceasing to be a basis *coin* ought to have been dealt with as a *commodity* and charged for according to its price when required for the adjustment of trade. Bank issues having become the basis would thus have remained undisturbed, facilitating and extending domestic industry. The progress of issues according to the returns of the *Bank of England* exhibit the impolicy and tampering which has taken place in the regulation and discounts of that institution.

Year.	Circulation.	Gold.
1778	£7,440,000	£2,000,000
1779	9,012,000	3,711,000
1780	8,410,000	13,581,000
First reduction of bank issues to regulate foreign exchange, 1784.		
1785	5,923,090	2,740,820
1790	10,040,540	8,633,000
1795	14,017,510	6,127,120
Cash payments suspended in 1797, by order in council, and issue of one pound notes.		
1800	16,844,480	6,144,250
1805	17,871,170	5,883,800
1810	21,019,600	3,501,410
1815	27,261,050	2,036,910
Cash payments restored 1819—notes of one pound sterling withdrawn.		
1820	23.484,410	4,911,060
1823	18,392,240	10,384,230
1825	20,753,780	3,769,100
Re-issue of one pound notes in 1825, to save the nation from general bankruptcy.		
1830	20,050,730	9,161,000
1835	17,100,500	6,726,000
1840	15,797,000	3,244,000
Temporary suspension of the bank charter, by order in council 1847.		
1850	18,825,904	15,944,813
1855	17,900,000	10,532,494

In 1784 the Bank of England reduced its circulation from 9 millions sterling to 6 millions to restore the gold flowing from her vaults. So insupportable was this measure on the productive interests of the country that

the ministers were compelled to release the bank from the strict administration of its charter. A second restriction was found necessary to prevent the efflux of gold in 1793. Mercantile ruin and the suspension of employment throughout the manufacturing districts alarmed the British Government—revolution in France and an inevitable war were pending. Destitution and defection were not the elements to carry the nation through a crisis which threatened the subversion of immemorial and established rights. The ministers in council decided promptly that 5 *millions sterling of Exchequer Bills* should be discounted to the merchants of London to substitute the bank money which had been withdrawn. Accommodation was to be advanced liberally and without very strict inquiry into the security of the applicants. Only 3 millions and a-half were applied for. Every merchant and tradesman witnessed with satisfaction the solicitude of the state. Confidence was confirmed and the operatives resumed employment.

Within a very short time the whole amount taken up was honorably repaid. On the authority of Mr. Thornton, at the time a member of the British Parliament the entire sum was collected. In 1797 it was found necessary again to curtail circulation to preserve the *gold.* An order in council directed the suspension of the obligation of the bank to discount gold on *demand* for its *notes.* This order was judiciously accompanied with a measure of moral importance that displayed the eminent statesmanship which at that period guided the councils of Great Britain. It was ordered that a document should be submitted for signature to the merchants of London for approval of the act. Thousands appended their names thus endorsing the sagacity of the measure and the solvency of the bank of England. To prevent alarm among the operatives, the middle classes circulated at first, the *one pound notes* issued, only in their transactions with each other

An attempt was made in 1810 to restore the payment of the *notes on demand,* but the oppression on trade was so severe that the government had again to relinquish the measure and advance the use of Exchequer Bills. After the close of the Napoleonic war the British Government finally resolved on the restoration of the traditional

standard of weight in the coin of the country. In 1819 the act was carried into effect. It had been hypothetically urged by Dr. Adam Smith that *notes* bearing a *denomination* of not less than £5 sterling, might be circulated without disturbing the value of the gold. Guineas and half-guineas being the highest denomination of coin, it was inferred that notes of five pounds bearing the denomination of nearly five times the denomination of the first, and ten times that of the second, would not be affected.

The new statute altering the practice of issue and discount which had prevailed in the Bank of England for twenty years of war and of extraordinary financial expenditure, contained two organic provisions abrogating entirely the the Banking management of that period. First enforcing upon the bank the payment on demand of its *notes* at 33 per cent, more gold than the value which they bore in current and commercial use. Secondly the extinction of all notes of less *denomination* than £5. An act of national injustice was thus aggravated by the accompaniment of a financial experiment. To the reduction of prices from 50 to 60 per cent., was added the difficulty of obtaining money of a *denomination* suitable for the payment of wages and the innumerable transactions of *one*, *two*, *three and four* pounds sterling.

Instead of a well distributed discountage of notes by citizens of substantial means, such as had originated these invaluable accomodations to the interests of trade, we find the incapacity of regulating beneficially their discountage by legislative direction. Commercial enterprises, stimulated at one time by excessive issues to undertake the most gigantic projects, are suddenly arrested by the curtailment of discounts and overwhelmed with ruin. The accumulations which are invested and the industry expended to render the investments profitable disappear in the convulsive execution of statutes which have made economical theories paramount to human interest.

Taking the oscillations of bank *issue* as subjoined, it is evident that corresponding revolutions in trade must have prostrated both individual and national resources to an extent beyond the power of statistical research:—

BANK OF ENGLAND CIRCULATION IN

1779	£9,012,610
1784	6,202,760
1795	14,017,510
1797	9,674,780
1800	16,844,470
1815	27,261,650
1825	19,092,095
1840	15,797,000

Circulation seems to have touched the lowest point in 1840. The enforcement of similar principles in the United States have been attended with similar consequences. Taxation not being over one-fifth of that of Britain, and the public lands being open to the people, oscillations in bank issues have not been attended with the same extent of misery and interruption. There is besides, a progress in the extensive discountage of money more conformable to the interests and requirements of the people, than to the theoretical basis embodied in the statutes upon which the charters are conceded.

Year.	No. Banks U. States.	Circulation,
1790	4	$2,500,000
1800	28	10,500,000
1810	89	28,000,000
1820	308	44,800,000
1830	329	61,000,000
1840	907	107,000,000
1843	607	58,000,000
1846	720	90,000,000
1850	824	105,000,000
1854	1208	131,000,000
1855	1306	204,000,000

It is computed by the latest returns, that the total value of property in the States is 8000 *millions of dollars.* There is upon this estimate a circulation of 1 million of bank issue to 40 millions dollars of productive property. To conduct the operations of this immense capital efficiently and profitably, a discountage of not less than 1,000 millions of dollars of bank accommoda-

tion would probably be requisite. Every transaction might thus be done in cash, instead of the vast and dangerous extent of credit which is required to render this capital advantageous. Such an *issue* could not take place under the existing statutes without an unlimited depreciation, as the *standard* bears no natural or permanent relation either to the value of products or national resources.

CHAPTER XII.

A STANDARD OF VALUE. ITS DISTINCTION FROM A DENOMINATOR OF VALUE.

Every *product* bearing an established value or price— is a *standard of value. Standard* implies something *determinate.* Commodities the least subject to fluctuate are, of course, the most suitable for this purpose. The relative value of a *product* to itself at different periods, and its relative value to other *products* being uniform and determinate, render it a reliable *measure* to *estimate* the value of all other commodities, and *compute* justly the claims and obligations contracted amongst men in their industrial relations. Yet a product, though capable of fulfilling the functions of a *denominator* of value, and a *determinator* of the equity of debt, it could not under the nature of economical law, become a proper instrument to exchange the multiplying products of labor, or to cancel the increasing liabilities of civilized communities.

An ounce of silver and a bushel of wheat exchange upon an average of years, and are, therefore, equivalents. These commodities having an established and determinate relation of exchangeable value, are *standards* by which other commodities can be *measured* with accuracy. A mortgage of one hundred years standing could equitably be estimated and canceled by expressing the claim in equal figures. Payment of one thousand ounces of silver, or one thousand bushels of grain in an average year would be equally just, and of full satisfaction. It might be more convenient to receive silver than grain, but not more equitable. If one thousand certificates, or

one certificate denominating the numerical value were given in payment. it might be more convenient to both debtor and creditor, and not less equitable.

Silver is a more suitable standard than grain, as its current value is more uniform, though not more determinate. The price of grain rises and falls according to the nature of the seasons. A bushel of grain when dear has cost no more labor—nor a bushel when cheap has cost no less labor than would be expended when the production was an average. The same labor is bestowed when the yield is bad, as when the yield is good. In grain the result differs each year, though not on an average of years. In silver the result does not differ. The same expenditure of labor will produce the same yield of metal, and the price, therefore, seldom, and in a small degree, ever changes.

It is also costly to store grain when very cheap, so as to preserve it for a subsequent year, and better prices. There is no cost in the preservation of silver. The total product of grain each year is the total consumption of each year, either by the greater consumption in bread, or by employing it in the feeding of cattle, and thereby increasing the product of animal food. The extreme fluctuation in the price of grain is, however, more incidental than natural. Should the condition of society ever afford a greater means of accumulation amongst the farmers the cost of preserving the product of superabundant years, and thus carrying forward the balance would give a uniformity to prices which their present necessities render impossible. In such a case, instead of diverting the surplus to the feeding of cattle, and, thereby cheapening their animal stock probably in as great a degree as they calculated, to compensate themselves for the low price of the grain, they would limit their next year's investment in that article, and expend proportionately more labor upon the production of those articles which prospectively would command a better return.

Notwithstanding these considerations, grain does not appear to constitute so certain and equable a *standard of value* as the useful and precious metals. To construct a determinate and uniform *standard of value*, several products must be employed. Taking *gold*, *silver*, *copper*

and *iron* each as a unitary value, and the others as relative values to them, the *denominative* capacities of such a standard would render the operations of exchange as definite in their laws as the most exact branches of science. A properly authorized legal *warrant* or *instrument* bearing the *inscription* of value of these commodities, and expressing its own *denomination* would fulfil the multiplying functions of money with a degree of accuracy and amplitude which no commodity could perform. Under statute authority the *issues* of such *warrants* by banking corporations would not affect their value, as the *discountage* would be regulated by the public requirements, and not by the decision of bank directors, or restraints of law.

Money is a legal and conventional *capacity*. The instrument may be copper, or gold, or silver or *paper*, as the law shall determine and direct. It may *denominative* or *intrinsic*. It may be a *token* of value or an *equivalent* of value. The exigencies of the state and the requirements of a community are the purposes for which money is instituted, and that *quality* of money which is the most convenient to the uses of a people is the most politic and beneficial to their interests. To employ a *product* of value as an *instrument* of exchange is not buying and selling but bartering. The law in directing that *gold* or *silver* should be specially and the only legal instruments to cancel debt, shuts out a thousand means by which men could employ the accommodation of a more convenient and extended process of barter. The difficulty to obtain gold and silver for the enlarging operations of business called forth the inventive skill of the trader. Merchants introduced the use of *bills* bearing the *denomination* and acknowledgement of a *liability*. *Notes* of of exchange suggested a new principle of money which performed all the offices of circulation the same as coin.

The basis of charters imposed upon the banks, and now impose, obligations which can not be discharged without periodically destroying the innumerable interests that haverisen upon the foundation of their liabilities and discounts. A review of the history of commerce since the introduction of *banks* is a continued series of speculative expansions and ruinous contractions. in as much as it is the inherent quality of the *charters*

which regulate bank issues that such consequences must follow. The art of modern statesmanship has been employed with remarkable success in sheltering the financial blunders of legislation on this subject by ascribing the organic defect of the law to the imprudence, avarice, and dishonesty of commercial enterprise. The victims of legislative error are charged upon each recurring financial catastrophe with the authorship of their own misfortunes. Popular ignorance sustains the inculcations of this strange philosophy, and every man who is dashed to the earth attributes his ruin to his own misadventures, or to his equally ruined and prostrate neighbor, through whom he may have suffered some immediate loss.

Notes issued under the existing law of circulation are the representative of *gold* in Britain, or *silver* in the *United States*, *France*, *Germany*, and *Russia*. *A scarcity of gold or silver*, *therefore*, *occasions a scarcity of notes.* These *notes* are legal auxiliaries to the precious metals widening the area of national and individual industry by affording an amount of accommodation which the commodities they represent could not. But they fail in the essential quality of money upon the same principle that *gold* and *silver* fail to fullfil the functions of money. THESE NOTES do not represent the national capital. Gold and silver coin represent their own aggregate value, but bear no relative and requisite proportion to the aggregate capital of a community. Every addition to capital requires the ample use of money to keep it in profitable employment.

Limiting the price of *gold* and *silver* discourages its production—limiting the issue of notes to represent the limited product of these commodities, carries forward the principle of insufficiency—for which *notes* were introduced to remedy. Bartering all commodities into gold and silver obstructs trade and production. It is a modification of common barter. Highly civilized communities suffer loss to an extent indescribable by the employment of the two commodities specified for the limitless purposes of commercial exchange. To barter grain for gold, iron for gold, wool for gold, copper, lead and tin for gold, cattle for gold, houses for gold, ships for gold, land for gold, and to decree by statute that no other

commodity can cancel taxes, rents, interest, and debt, is a fiat against human progress. The efforts of industry are discouraged and limited by the impossibility of exchanging into these most scarce *products* the incomputable wealth and property which otherwise would flow from the fountains of science and labor—multiplying indefinitely by the irrestrainable increase of populousness in all nations.

The ingenuity of the trader in employing *notes*, exhibited the resources of man to disenthral himself from the impediments which arrest his onward destiny. Legislative interference soon, however, diverted these salutary facilities into channels which have rendered them ruinous to mercantile enterprise, and destructive of security in the pursuits of trade. *Notes* should have multiplied with the accumulations of capital. Men of the greatest probity and substance would have supplied to the community an amount of accommodation suitable to the wants of trade, and consistent with their safety as discounting merchants.

Limiting bank discounts by statute, also gave a monopoly to some in the exercise of accommodation, which ought to have been a common immunity. It has given exceptional advantages to one class over another. It has added to the opulence of one class by the impoverishment of a larger class. The most useful continue the poorest. The richest exercise the most ample and exclusive accommodation. Trading immunities are thus usurped, and the fruits of industry absorbed, by legal restrictions which increase the power of the strong instead of facilitating the efforts of every class of capitalists. Employment has been enlarged, nations have become more populous, and the rich more numerous, but the condition of the multitude is less secure, and their life not less miserable by the irregularities of employment, and their aggregation in large cities.

To render bank discountages equal to the wants of trade, and the *notes* which might be issued secure in their *current* value, a new basis is necessary upon which *money* should be produced. A uniform quantity of labor producing a determinate quantity of the metals—this class of products appears to constitute the most certain *standard of value*. It is also the most easily understood,

and as raw products the least subject of complication in qualities. There are no first, second and third qualities of gold and silver—very little in copper, and as nearly all countries produce *iron*, the quality and standard price of that commodity are as definite in each nation as the value of gold.

The legal price of gold in Britain is £46 14s. 6d. Taking the round numbers,

Of gold, per pound, troy- - -	£46
Of silver, " - - - - -	3
Of copper, per ton, - - - -	100
Of pig iron, " - - - - -	5

Bank notes *bearing* the inscription and *issued* to sustain this table of current value, would constitute, in the hand of the holder, a commercial *warrant*, the denominative value of which, being as definite as if he held its equivalent in gold or silver. No depreciation could, by possibility, occur. Adding to the above security that state, or public stock, to the entire amount of issue granted by charter, be deposited in the public treasury, guaranteeing the public against loss, should the issuers suspend business—the value of the instrument would not be affected, since its redemption would be amply provided for. It would thus constitute a title-deed, equal to a *deed* of any property. Mr. Anderson in a pamphlet of considerable ability published, in 1849, very correctly defines a well secured *note* as a "*circulating title deed.*

A change in the value of any one *standard product*, or even in *two* of *three* would in no manner disturb the definite nature of money. Such an extraordinary occurrence could not simultaneously take place, yet the provisions made to test and preserve the *standard*, place the current capacity of the *bank warrants* beyond danger. Bank *notes* or *warrants* based upon full security deposited, and bearing the *expression* of current value in four important products ought to be issued without legal limit. Issues should be regulated by the amount which the banks could discount, and the amounts discounted would depend upon the amount of products to absorb money at the definite and determinate prices. Tradesmen and merchants are the best judges how much *money*

they can employ profitably. The security exacted from the banks would cause the banks to exact ample security from their customers. But to limit discountages when abundant security is tendered and the requirements of business demand their accommodation is unwarrantably detrimental to the welfare of a people.

The right and use of banking privileges cannot be too broadly exercised. Inasmuch as large and overgrown corporations do not afford those numerous accommodations which are the most serviceable to the interests of industry. This is manifest from the large increase of business which has recently taken place in the discount banks of London. It is the multiplicity of discounts and not the largeness of the sums which constitute the advantages of Banks. The number of tradesmen and merchants, with moderate capacity, who have for some years been doing a fair business, have employed the accommodation afforded by these banks so usefully that the discount business of the Bank of England has for some time declined though the trade of London has greatly increased. In the United States there have been, for several years, an annual increase of the number of banks, all of which are banks of issue which distribute their discounts with great advantage to the rising industry of every district.

The following specimens of *notes* which have been termed *bank warrants* to express their security will convey the views which have been here set forth. These instruments, it is also implied, would be legal tenders in satisfaction of private debt and public revenue. The *standard* thus embracing *four elements* of current value would guarrantee the public against all possible inconvenience in the events of any of the products specified declining. Supposing either gold or silver declined in price, the copper and iron would sustain the determinate character of a *standard.* If gold sunk from four pounds sterling per ounce to three pounds, depreciation would be estimated by the *products* which had undergone no change. Whenever gold and silver had realized their lowest point the standard would be adapted accordingly, the new prices being inserted.

Sp

(Charter grant

CITY OF LONDON

Mercantile Ba

LAWF

of the United Kingdom of

Issued under Authorisation of Statu

in the full bearing of Denomi

BANK
WARRANT OF ONE HUNDRED P

STANDARD OF CURRENT VALUE

Price Current of Silver per Pound troy		£ 3
	Gold	46
	Iron per Ton avoirdupois	5
	Copper	100

President.

Speci

(Charter granted

CITY OF NEW YORK

BANK OF C

LAWF

of the State of

Issued under Authorisation of Statut

in the full bearing of Denom

BANK
WARRANT OF ONE HUNDRE

STANDARD OF CURRENT VALUE

Price Current of Silver per Pound troy		$ 15
	Gold	230
	Iron per ton avoirdupois	25
	Copper	500

President.

nen No 1.

(January 1st A.D.1857.)

JANUARY 20TH 1857.

nk of Exchange.

MONEY

reat Britain and Ireland

Law and Secured by Deposit thereon

tion and Inscription of Value

NDS STERLING £100

BANK WARRANT

SECURITY AND ISSUE

Issue	£ 250,000
Official deposit of PUBLIC STOCKS	£ 250,000

Cashier.

No 2.

ary 1st A.D.1857.)

JANUARY 1ST 1857.

OMMERCE.

MONEY

New York

Law and Secured by Deposit thereon

nation and Inscription of Value

DOLLARS $100

BANK WARRANT

SECURITY AND ISSUE

Issue	$ 200,000
Official deposit of STATE STOCKS	$ 200,000

Cashier.

There is not a village of a few thousand inhabitants in the United States, but have a bank of issue. Small sums were at one period discounted generally by the Scotch banks. They also made loans for agricultural improvements covering a series of years in their redemption. Small tradesmen could obtain discounts of sums as low as ten or twenty pounds sterling, upon the endorsement of one of their own class. This form of security was called 'cation,' probably from the word caution. The discountages of the Scottish banks seem originally to have been regulated by little regard to their *reserves* of gold. Directors were men of well-known character. Substantial in their means and of undoubted security. A due consideration of the current price of products, and prudence in the sums discounted, were evidently the rules upon which their banking business was conducted.

During the suspension of cash payments, the Bank of England seems to have been guided by similar principles. One of the directors of the bank when examined by a secret committee of the House of Lords said, in reply to a question, requiring an explanation on what principles the directors acted while the law was suspended, replied—"we invariably advanced accommodation according to the security and requirement of the commercial house." The guarded and prudent management of the bank were certainly better guarantees to the public interests and commerce of the country than anything which has been witnessed under legislative control. There was, however, great danger in the rule which guided the bank, yet the administration of this principle seems to have obviated any of the evils which might have resulted.

Issues based upon the current price of products, and discounted to any amount which may be required by the community, secure the current value of the notes against every possible cause of *depreciation* or *appreciation*. *Issues* based upon *estate* operate to enlarge the market price of such property, and thereby the notes represent a value which they themselves may have produced, as in the case of the *assignats* of France. Estate under these circumstances represents the value of the notes, instead of the *notes* representing the value of estate. Land is not a product of labor and, therefore, cannot

express its own value. Its value is determined by the quantity of value which labor can produce from it. Issues based upon a commodity, as gold or silver, fluctuate with their supply and demand, exciting or arresting national industry according to the accidental increase or decrease of such in the hands of the issuers. Notes thus represent the quantity of a commodity and not the value of it. Hence issues based upon current value as proposed in this chapter, would represent the current quantity and value of every product resulting from the labor of a community and entered in the market of commercial circulation.

———o———

CHAPTER XIII.

FOREIGN COMMERCE—ITS PRINCIPLES DISTINCT FROM DOMESTIC TRADE. INTERNATIONAL STANDARD OF VALUE.

The interchange of products between nations arises from the natural advantages which one country commands to supply certain wants of another at less cost than it can supply the required products itself. It is governed by distinct laws and a distinct economy. One nation buys commodities from another, and pays them with other commodities. Money does not cancel the purchases on either side. The coins of different nations are weighed and assayed, and thus reduced to metal. They are used for computing value but in a very limited degree for the cancelment of transactions. Foreign commerce is international barter.

To facilitate exchange, all modern nations have two classes of merchants—*exporters* and *importers*. The first sell but do not buy—the second buy but do not sell. The process of exchange is indirect, and, therefore, requires the intervention of a *standard of value*, to make the language of commerce intelligible between nations. The quantity of gold or silver which express the commodities exchanged is never exchanged—it is merely the balances which are transferred. Even these are seldom necessary, and never to a great amount, compared to national wealth, as the cost of bills rises against the

nation which claims, and discourages imports, while the debtor nation obtaining cheaper bills to settle demands are encouraged in exports.

Two laws, therefore, operate to adjust the balances of exchange, without the actual exportation or employment of gold or silver bullion. It is only when the balance is important that *metals* are required for adjustment, and if the *metals* were left to find their market value under such circumstances there would be no difficulty and less bullion required. If *bullion* rose according to *demand*, the *bills of exchange* would rise in a higher degree. It is cheaper to transfer a *bill* than to export gold or silver in payment of claim. If the price of gold or silver cannot rise under the statutes of each nation, then *bills of exchange* cannot rise over a definite rate.

Taking freightage, insurance, and incidental expenses in transferring one hundred ounces of gold from New York to Liverpool, at 8 per cent., then a bill of its value, with 8 per cent. added, would be as cheap to the importer. It would also be much more convenient. When he cannot obtain a bill on 'Change at something near that value, say 108 or 109 it is cheaper to present the notes he holds at the bank counter and demand gold. If the drain of gold occasioned a rise in price whatever was added to the gold or silver would be added to bills of exchange. Whenever the importers found the rate of exchange ascend to a point which virtually deprived them of profit they would suspend importing. Exporters on the contrary, the greater the premium they could obtain on the bill which represented the opposite nation a debtor, they could sell cheaper and, therefore export with more spirit.

During the period that the laws relating to the price of gold were suspended in England, the adjustment of foreign exchange was affected upon this principle. The balance of trade was permanently against Britain throughout the long and critical term in which she was engaged in the French war. The increased expenditure made to sustain the military operations of the British army on the Continent, and to secure by subsidy the co-operation of her allies, compelled the government to enter the commercial market and buy up foreign bills. As both the agents of the government and the importing

merchants competed, the rate of exchange must have ruled very high. Bills bought by the government were forwarded to the commissariat of the army and cashed by the Continental merchants who had made purchases of British manufactures. The importing merchant, finding he had to pay so high a rate for his bill would add the amount to the articles he imported and exact it from the consumer. Exporters on the other hand, could frequently sell goods cheaper than they could be manufactured, since they were compensated by the price which their bills would command on 'Change.

In 1800 *exports* exceeded imports 7 *millions* sterling. In 1803 10 *millions*. In 1814 20 *millions* sterling. In 1815 they amounted to 24 millions sterling. High prices in Britain did not interrupt the natural operation of foreign exchange in selling at low prices to other nations. Every commodity was left to find its own value. The higher the value of gold and silver in England the lower were the prices at which she could sell in the foreign market. The high prices of the precious metals added to the extra demand for foreign bills and gave encouragement to the export trade which enabled the British ministers to command the entire agency of gold and silver on the continent.

To obviate the confusion incident to various coins current in different nations a universal *standard of value* might be introduced without changing either the habits or language employed by the respective merchants.

The British pound sterling is	123 grains of gold.
The dollar of America is	412½ grains of silver.
The Franc of France is	72 grains of silver.

These standards are necessarily fixed in the operations of domestic trade where they rule, and where such an immense interest depends upon their inviolability. There being no commercial debts between nations except what arises from the consideration of distance or accommodation, neither are there any permanent liabilities. The institution of a universal standard appears advisable. The *livre* of France is not well adapted, it is too reduced. The dollar of the United States is better, as it contains a greater degree of value. The pound of Britain

is of large denomination, and ill adapted from its conventionality. Simplicity in commercial calculation is of high importance. Prospectively estimating the increase of commerce between nations, it is probable that a standard of unity, and of considerable value should prevail.

Let us take 100 grains of gold as the mercantile standard of all nations.

For Britain divided as follows:

10 tenths	- -	1 penny,
10 pennies	- -	1 shilling,
10 shillings	- -	1 pound mercantile.

For the United States:

10 tenths	- -	1 cent,
10 cents	- - -	1 dime,
10 dimes	- -	1 dollar mercantile.

For France:

10 tenths	- -	1 centime,
10 centimes	- -	1 franc,
10 francs	- -	1 livre mercantile.

The minute fraction of the MERCANTILE *pound*, *dollar* and *livre* would be the tenth part of one grain of gold, or equivalent to one and a-half grains of silver. The *mill* or thousandth of the United States is about one-half grain, and the *farthing* of Britain about 2 grains of silver. For commercial computation the fraction of the *mercantile standard* would, there can be little doubt, sufficiently perform all transactions of buying, selling and estimating the most minute values. This standard might become the universal language of the merchants of all nations. Instead of translating the *coins* of other countries into the coins of each respective country, the merchants *would* merely translate the universal standard into the peculiar language of his own people. The value of the *mercantile standard* would rise or fall according to the rate of exchange—such would only be the business of the merchant to understand. On the contrary the *standard of domestic value* would remain fixed and determinate.

Gold and silver when used for domestic exchange are required in actual quantities to be exchanged into the commodities transferred These metals as they appreciate or depreciate, wrong the debtor or creditor. With the merchant they appreciate or depreciate without incurring loss, for though he buys and sells by a metallic measure he pays his debts in produce or bills, or when he does pay in gold, he has previously been compensated by the rate of exchange. He cannot therefore be wronged. Nations can measure domestic value in notes because the value of these notes can be regulated and understood between the citizens. Between nations, these notes, having no value in themselves, and their exchangeable value being only current in the country which issues them, they cannot be used for international exchange, and it is this superiority in *notes*, which enables a nation to pursue its domestic industry uninterrupted by the balance of foreign trade. It is, however, important that the merchants of each nation should have a fixed measure to estimate and enable others to estimate the values which are to be exchanged.

The two great departments of national exchange, home and foreign, operating in harmony with the extension of domestic production, would extend foreign trade in a legitimate and beneficial ratio with national progress. Foreign commerce properly separated from the domestic would maintain a power of rectification in the interexchanges with other nations, which cannot exist while the measure of value in the two great divisions of trade is of the same character. The accumulation of liabilities is a social institution which does not belong to commerce. Conventional money is therefore a measure of liability as well as a measure of value, and the permanent and multiplying liabilities between the citizens of a commonwealth render any alteration of the value of money a source of incalculable wrong and misery. Commercially gold may fluctuate, and permanently rise or sink in value—neither the merchant or the nation would be injured by the result. Bullion might rise in current value by a large exportation, but the demand of some commodities must previously have increased, and occasioned large imports. The importer would, therefore, have

ample compensation for the advanced price he paid either for bullion or bills

Gold is, however, seldom exported for commercial purposes, except in the event of an extensive failure of the crops. It then ought to rise in value to every domestic product. It should only operate upon consumption, instead of, as now, operating specially upon production by curtailing discounts correlatively with the rise of the necessaries of life. Under the present laws of commerce bread may rise while no increase of price will take place upon articles of luxury. The price of imports generally should rise in some degree so that the cost of luxuries would equally sustain the effects on account of the adverse state of exchange. The rich would thus in some measure have to diminish the consumption of foreign luxuries because of the costliness of the necessaries consumed by the community. Under such circumstances the nation who claims the balance would seize upon the the temporary cheapness of bills, and make larger demands. The export of bullion would, by this new impulse, be proportionately limited.

In the event of war it is essential that a state should have a proper command over the precious metals. But to enforce a medium of exchange of gold and silver during peace, to retain a provisional supply against the exigency of war materially diminishes the command during war, as such a medium restrains both the circulation and production of wealth. A community is therefore less rich in these commodities which can at all times command gold and silver in exchange. During war the price of gold rises with the demand for it. This rise makes goods comparatively cheaper than those of other nations. In other words the internal riches of a commonwealth would enable a *state* to raise larger revenues than less wealthy nations and the sacrifice to obtain gold would be made with less difficulty.

If a state wants gold to sustain its armies, its agents can go into the commercial market and buy up the bills due by the nation most convenient to the seat of war, as in the instance previously cited. The price of bills are raised, and a large profit is obtained by the exporter, who offers goods at proportionably lower prices to the foreigner, when he knows he can get a good price for the

bills he obtains in exchange. In proportion as the bills rise, he can afford to sell goods for less. Competition also steps in to share the advantages, and reduces prices to the remunerating standard. Products may thus be sold to other nations for less than the cost of production, while the merchant and producer realise their usual profits. By this process the loss necessarily incurred to command gold from the foreigner is indirectly paid by the nation. The state becoming a competitor in the market for foreign bills, the importing merchant has to pay an advanced price to liquidate his foreign debts. The price of foreign products rise proportionately, so that the consumer has to pay higher prices, and this indirectly compensates the exporter and manufacturer for the low price he sells products to the foreigner. The command of gold is therefore regulated by the resources of commerce and the industry of a people. Foreign trade under any circumstances, when left to the operation of the natural laws of value, adjusts the balance of exchange with the utmost order and precision.

Loans are seldom made between nations in money. Nor are investments in foreign projects made in money. When a loan is made to a foreign government by a financier in London, he proceeds to buy up the *bills of exchange* due by the merchants of the borrowing state. The terms of his bargain enable him to give a good price for the bills. The importing merchant abridges his orders for the products of such a country, since he has so much difficulty to procure *bills* for the settlement of his liabilities, and the more especially is he discouraged in making further purchases as the *bills* have risen in price whilst his stock remains at the same market value.

The exporting merchant, on the contrary, can sell his bills promptly and at higher prices. He urges his correspondents to increase their orders, and exports with greater spirit. A loan to a foreign state by a large financier is merely an order given to his correspondents to collect a commercial debt from its own people. Investments in all public enterprises are made in the same manner. Imports are arrested and exports are stimulated during the transfer of the order. If the terms of the loan are to be executed within a period so

circumscribed that *bills* cannot be multiplied as rapidly as may be required, then the balance is forwarded in specie. Whenever the loan is consummated, exchange resumes its ordinary equability. Investment in the domestic enterprises of a foreign nation is a civil contract. The transfer of dividends are, however, subject to the rate of exchange. It is certainly a matter of weighty concern with all nations to execute their great works without foreign aid or incumbrance. Rising colonies may profit by such advances, but independent communities resorting to those methods of finance subject their industry to impediments which a judicious course of policy might greatly obviate.

The ministers of foreign governments have found of late, that lenders really did not send specie in fulfilment of their loans, and that the amount being collected from their own people paralyzed their own commerce. The little treasuries of the merchants were emptied into the state treasury instead of being transferred to other merchants in the regular course of trade. Recently, state contracts have therefore provided that one-half, or more or less, should be paid in actual transfer of specie. If foreign princes really wished to increase circulation as well as meet the exigencies of deficient revenue, were to contract their loans in several limited sums by first stimulating exports, each sum to be transferred upon the closing of negociations they might render great service to the industry of their people, and thereby increase the internal sources of public revenue. As, however, those who make loans operate through nations commercially the most powerful, their influence over the balances of exchange is frequently paramount, even to commerce itself, or to the most skilful policy of a state.

CONCLUSION.

The principles urged throughout this work profoundly interest all men, and the more especially in an age when organic laws become essential to the conservation of order and progress. Society contracts a liability with every member which it calls into life. The multitude in all civilized communities, who are without possession, are the most dangerous to the

safety of the state. Whether there is a demand for their labor or otherwise, it must provide for their wants. To the wisdom of the state, therefore, appertains the responsibility of rendering them subservient to the general interest by removing the incidental obstructions which arrest enterprise and employment. If populousness does not add to the strength of a commonwealth it will contribute to its weakness. Full of aspiration and of urgent necessities—man becomes a tax on the resources of society, or an enemy to its authority when it does not execute the incontestible claims of his nature. The injunction is mutual and incapable of revocation—the state demands obedience, the subject demands the right to employ his faculties without the obstruction of inequitable laws. Otherwise compacts become conspiracies and force substitutes justice. Neither does success or opulence compensate for equity, since all men are exposed to misfortune, and require the inviolable guarantee and provision of industrial *right* to mitigate the calamities of human adversity.

ERRATA.

Page 13, line 39, read "progress of art" for "progress art."
" 43, line 35, read "thirty millions" for "twenty millions."
" 63, lines 18 and 19, read "eight and six millions" for "ten and eight."
Page 111, line 35, read "with Britain" for "against."

130